CO-OPERATION & THE FUTURE OF INDUSTRY

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LONDON: GEORGE ALLEN & UNWIN LTD.
RUSKIN HOUSE 40 MUSEUM STREET, W.C. 1

First published in 1918

PREFACE

In the following pages I have confined myself almost entirely to one aspect of the Co-operative Movement, its development into a great democratic industrial system. It exists as such already, though the fact is unknown to a majority of the people of the United Kingdom and to not a few of its own members. But I have tried to combine a description of the movement as it is with a picture of what it might and should become if it follows out and develops its principles and ideals. I have laid stress not so much upon its achievements and its failures as upon its possibilities. The conclusions may therefore appear over-optimistic to many who know the movement of to-day: but any one to whom this criticism may occur after reading this book should ask himself whether any system other than that of the Co-operative Movement can reasonably be said to afford as good a hope of untying those knots into which modern industry has tied society.

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Co-operation and the Future of Industry

CHAPTER I

INTRODUCTION

THE Co-operative Movement is, as this book will show, already a very big thing and a very solid thing; but its importance is not so much in its past successes as in those elements in them which promise the possibility of new developments. Looked at from different angles it appears to the observer under different forms. Materially it may be said to consist of its members, some three and a half million human beings, men and women mainly of the wage-earning classes, united in the 1,400 co-operative societies, which have grown up during the last seventy years in the towns and villages of Britain. But from another point of view the movement stands for the common objects and ideals which have united these three million men and women as co-operators. These common objects and ideas have made the movement something more than a fortuitous concourse of human atoms; they have converted it into a peculiar system of industry, operating within and yet in many ways apart from the ordinary industrial system of the country.

The industrial system is often compared to a machine, and this comparison is not without significance. There is an intricate machinery of production and distribution, of agriculture and mining and manufacture, and transport, and wholesale and retail trading and finance, all the different parts of which are, through individual businesses and concerns, closely interdependent. And the object and function of this machinery may be regarded as the satisfaction of human wants. But what gives a peculiar character to the machinery of the industrial system is that parts of the machine are themselves human beings, and therefore the smoothness and efficiency of its working depend to

a very great extent upon the degree of satisfaction which these men and women derive from their position as parts of the whole machine.

The system, as we know it, has evolved with considerable rapidity from the Industrial Revolution of the eighteenth and early nineteenth centuries. From those earliest times right through the nineteenth century and up to the outbreak of the Great War it has shown unmistakable and increasing signs of various defects. These defects are the result of a chronic and deep-seated dissatisfaction of the majority of the human parts of the machine, the workers or wage-earners, with the position and work assigned to them. The bankruptcy and final abandonment of the whole doctrine of *laissez-faire*, the growth of Socialism, Trade Unionism, and Syndicalism; the extraordinary importance that Social Reform has attained in the legislation of all European countries; the persistence of "Labour Unrest" with its strikes and rumours of strikes; the open preachings of class warfare; these things are signs of the evils and defects inherent in the present industrial system.

Some people affect to believe that this war is going to act in some way as a kind of purge to human society. No belief could be more erroneous and disastrous. So far as industry is concerned, we can predict with absolute certainty that, in the years which follow the war, the defects of our system will become doubly and trebly clear, and the evil results of those defects will be terribly intensified. Every war has been followed by a period of difficulty and distress for the industrial classes, due to a dislocation of the industrial machine, to the destruction of wealth, the violent fluctuation in prices, the sudden withdrawal of large masses of men from, and their equally sudden return into, the labour market. But the world has never seen in any previous war so vast a dislocation of the industrial system as that which it will now be called upon to face. We must therefore look forward to, and we should be wise, if possible, to provide against a recrudescence of all those industrial troubles which we have in recent years grown accustomed to call Labour Unrest.

Labour Unrest is, as we have said, only a symptom of dissatisfaction of the wage-earning classes with the way in which the industrial machinery works. It is therefore important to get a clear idea of how the system works, and of how an alternative to it, such as the Co-operative System, professes to deal with the causes of dissatisfaction. The existing system is often described as the Capitalist System, and, though some people

object to the term, the description is correct. If one takes a kind of bird's-eye view of the whole network of industry—the farms, the mines, the railways and docks, the factories, the wholesale depots, the retail shops, the banks and merchants and brokers' offices—one sees a marked uniformity of organization. Its most obvious characteristic is that everywhere the real power is in the hands of the man who supplies the capital. It is not the man who makes boots in the factory or who buys and uses the boots who decides what kind of boots are to be made, but the employer, the man who has "put money into the business," or the manager who represents him. Again, it is the employer or capitalist who finally decides how the boots are to be made, under what conditions, and for what pay the worker is to make them, and at what price they are to be put upon the market.

The results of this organization are manifold, but the most striking is the inequality of the rewards of capital and labour. It has been calculated that of the total income of the country two-thirds is distributed among one-third of the population, and the remaining one-third among the remaining two-thirds, and that these two-thirds answer roughly to the wage-earning population. That means that the tremendous inequality in the distribution of wealth tends inevitably to increase. The millions who work for a fixed wage, which may vary from 10s. a week up to a few pounds a week, fall farther and farther behind the thousands whose money is "making money." But though Labour is undoubtedly thoroughly dissatisfied with the "rewards of labour," it is certain that this is not the root of Labour's dissatisfaction with the Industrial System. The causes of unrest lie far deeper, in the fact that industry is organized on lines which run counter to the aspirations and ideals of modern society. In the nineteenth century the world suffered a change of heart. Man became definitely a democratic animal. It is true that in every country man's institutions and government did not suffer an immediate change from oligarchy to democracy, but it became certain that sooner or later in every civilized country, unless those institutions changed and fitted themselves to man's new-born views and ideals, they would be destroyed. And so the history of the nineteenth century in Europe is largely the history of the gradual democratizing of the different parts of human life. That process is still proceeding: the fundamental beliefs which underlie democracy have revolutionized, and are revolutionizing, all the various human activities in this country—our government, our churches,

our sports, our methods of making war or love, our universities, even our public schools.

Democracy means exactly what the two Greek words out of which it is compounded mean. It means that the people have the power. And the belief in democracy implies, besides this belief in the power of the people, certain other beliefs which, because of the change of heart in the world, are now held often unconsciously by thousands of persons who would never call themselves democrats. We feel that in a very real sense all men are equal, and that because of this equality the subordination of any individual or group of individuals to the arbitrary power of another individual or another group is intolerable. We refuse to recognize the voice of authority unless it speaks in the name of the whole of which we and every other individual form a part. We demand that in every department of life the right of each man and woman to be heard shall be admitted, and in doing this we claim not that Vox Populi is Vox Dei, the Voice of the People is the Voice of God, but that it is Vox Justitiæ, the Voice of Justice.

It is beyond dispute that views of this nature, though often not held consciously, and even more often suppressed, criticized, or derided, have yet profoundly modified nearly every department of society in the last hundred years. But the one department which has remained almost untouched by democracy is the industrial. The organization of industry is purely oligarchical. The whole of industry is organized in such a way that the power remains not in the hands of the many but of the few. The control of industry is, as we have seen, concentrated in the hands of the few who own the capital. It is they who decide what is to be made; how, where, and when it is to be made. Now, of course, wherever there is any complication or where the co-operation of many men in action is required, the actual exercise of power necessary to ensure co-operation must be in the hands of a few. But in such cases democracy requires that the few exercise the power on behalf of, or as representatives of, the many. The exercise of power by a few policemen ordering us about in the London streets is democratic, not oligarchical, and we submit to it with a few glad grumbles, because in the uplifted hand of P.C. X we see the uplifted hands of all the people, our own included: we no longer in our streets tolerate the aristocrat who made every one else give him the wall, just because he was an aristocrat and carried a sword. In industry the actual exercise of power must also always be in the hands of a few. But here in the existing system there

is no democratic delegation of power at all. The ultimate control is in the hands of the few, and the millions of wage-earners who spend the greater part of their lives working as parts of the industrial machine feel that they have absolutely no control of the machine and very little even over the conditions of their employment.

We are not here concerned with apportioning praise or blame, but only with finding the real cause of the dissatisfaction underlying Labour Unrest. There cannot be any doubt that the dissatisfaction has its roots in the fact that the wage-earners do take this view of the industrial system and their position in it. The French extremist talks of "The Hell of the Wage-earner," because, he says, the wage makes the working man a slave The whole intention of the revolutionary Syndicalist s to hand over the industrial system to the full democracy of workers. Even the more moderate trade unionist in Britain has directed his whole energies to limiting the power of capital to determine the conditions of the worker's employment. In other words, what all these men are struggling against is the control of industry by a capitalist oligarchy. Their real complaint is that the industrial system remains undemocratic in a world which is being, and must be, gradually democratized.

The importance of the Co-operative Movement, and the necessity of understanding its position and its methods, really lie in this one fact: that it claims, and always has claimed, to have discovered a system of industry which is democratic. Industry, the co-operator says, is controlled within the movement not by a small class for its own interests, but by all classes for all classes, by the people for the people "And we have proved," he will continue, "not only that it is possible to democratize industry in this way, but that our system is just as efficient, just as materially successful, as the capitalist system. Our movement is now a gigantic concern, a great solid democratic wedge in the capitalist industry of the country. That wedge consists of 1,400 co-operative societies and over three million members; that is to say, our system already supplies many of the wants of about 10,000,000 inhabitants of these islands. We supply our members annually with goods of the value of about £100,000,000, and in doing this we are competing, and competing successfully, in practically every large town throughout the country with the ordinary private or capitalist concern. We are already carrying on industry on a vast scale: we have our own factories, depots, and estates scattered up and down the length of Great Britain, in Den-

mark, Greece, Australia, Canada, Spain, India, and Ceylon. In all these places, too, we are competing successfully with the capitalist manufacturers. And the reason is not only that our system is really democratic—for everywhere in our societies and factories industry is being controlled by the people for the people—but it is more truly economic, avoiding the waste and friction of competition than the capitalist system."

It is obvious that if these claims of the co-operator are correct they are peculiarly relevant to any consideration of the industrial problems which will confront us for many years after the end of this war. A system of industry which is democratic, efficient, and of almost universal application would, one might hope, practically abolish those evils which seem to be inherent in the working of the present industrial machine. But because admittedly the worse defects of the ordinary system arise from the position of the workers in it, and their growing dissatisfaction with that position, another fact connected with Co-operation obtains considerable importance. The following chapters will show that the co-operative system has always appealed to and commended itself in a peculiar way to the working classes themselves. It has, in fact, been evolved by them, and the movement still is both in numbers, in spirit, and ideals predominantly "working class." What exact proportion of the three and a half million members belong to that class it is impossible to say, but indisputably a very large majority of co-operators come from families of the better paid manual workers. This fact therefore makes it all the more necessary to examine the co-operator's claims. The object of this book is to examine those claims, to explain the working of the movement as a great democratic working-class system of industry, particularly with a view to determining whether there are within it the elements of development without which one can scarcely hope that it will ever solve industrial problems on a large scale. I am not, therefore, in this volume writing either a history of the movement, or an economic treatise on the working of co-operative societies; the reader who wants historical and economic facts in detail must refer to the standard works on Co-operation. But since the movement is a highly complex organization whose growth has been largely determined during the last seventy years by traditions deeply rooted in the past, it is not possible to understand its working without some knowledge, first of the skeleton of the organization as it exists to-day, second of the history of its development. I propose, therefore, to end this chapter with a brief

description of the Co-operative Movement as it exists to-day and in the next chapter to give a short account of the causes and conditions which occasioned its birth and moulded its growth and character.

The Co-operative Movement with which this volume deals may be defined as consisting of the associations of consumers called co-operative stores or societies. The important point in this definition to be noticed for present purposes is that the movement is limited to associations of consumers. Co-operation is a word which covers a multitude of different things and forms, some of which have nothing in common except the name. The two forms which have received most attention in this country have been co-operation of consumers and co-operation of producers, and in the British Isles a co-operative society is almost always either an association of consumers or of producers. Reasons could be given for treating producers' societies in a volume of this kind as part of the Co-operative Movement —officially they still do form a part and belong to the great federation of societies, the Co-operative Union. But the reasons for confining this volume to the one form of Co-operation are more cogent. The consumers' society is completely different in development, organization, and object from the producers'. The consumers' society is an association of persons who desire to satisfy their needs, whether for groceries or bread or meat or clothing, and the material object of the association, and therefore the whole organization, is designed for supplying its members with the goods which they wish to consume. A producers' society is an association of persons who have joined together as workers in a workshop or factory in order to produce goods to be sold to persons who are not members; strictly, it is a workshop or factory owned by, managed by, and run for the profit of the people who work in it. And apart from this, in England and Scotland the Co-operative Movement has in fact become synonymous with the activity of the consumers' societies. The reason is that it is completely dominated by them. At the beginning of 1916 there were in the Co-operative Union 1,373 consumers' societies, and 103 producers' societies. The former had 3,265,011 members, the latter 34,912; the trade of the former during the year was £102,557,779, of the latter £3,860,052.

The unit of the movement is, then, the consumers' co-operative society. There are very few towns in Great Britain with any industrial population in which the man or woman who wants to be a co-operator cannot become a member of such a

society. In mere size and in the range of their industrial operations these societies differ enormously. At one end of the scale comes the Leeds Society with nearly 70,000 members and an annual trade of over one and a half million pounds, with nearly one hundred branch stores, and with its own flour-mill, bakery, laundry, boot factory, brush factory, etc. At the other end are a number of little societies with a few score of members who own and make their purchases in a small shop in some small street. But though societies vary so greatly in size, it will be found that in all important points their form, constitution, and objects are the same. The society is registered under the Industrial and Provident Societies Acts, and its objects are to carry on the trade of general dealers, manufacturers, insurers, etc. The capital is raised by £1 shares which are usually withdrawable, and rarely transferable. Any person approved by the directors or committee can become a member on payment of an entrance fee or deposit (usually one shilling), and by taking up either one or more shares. Provision exists by which payment can be made for the number of shares necessary for full membership at the rate of 3d. or more per week, or merely by leaving dividend to accumulate. The effect of this is that in practice any person provided he or she possess a shilling can become a member of the movement.

So much the new member of a co-operative society may learn from a casual glance at the book of rules, and, if he did not pursue his investigation, he might wonder why he had become part of that vague thing, a movement, rather than a shareholder in a joint-stock company. If he does pursue his investigations further, he will find that the most obvious distinction between his society and a joint-stock company lies in its method of distributing profits. Upon his shares he will receive a rate of interest (usually 4 per cent. or 5 per cent.) fixed by the rules. The only relation between the rate of interest on share capital and profits is that unless profits are large enough he will not get his interest; but however large profits may be, he will never get more than 5 per cent. The method of disposal of all profits over and above what is required to pay the fixed interest upon share capital (i.e. net profits) is an integral part of the society's method of doing business, the rock upon which the co-operative system of industry is built. The net profits of the business done in the society's stores and shops is returned to the purchaser in the form of a dividend at so much in the pound of their purchases. Any person, whether

he be a member or not, can buy at these stores, and the only peculiarity that the purchaser will notice is that he will be presented with a slip of paper or a metal token recording the amount of his purchase. The token or slip of paper is a sign that the society pays "dividend on purchase." Either twice or four times a year the member will receive a balance sheet and a notice that a general meeting of members will be held at which, among other business the amount of dividend for the quarter or half-year is voted. It is usual that the rate of dividend paid to non-members is half that paid to members.

The ultimate control of the policy and business of the society is vested in the general meeting, at which each member has one and only one vote; the immediate control of the business is delegated to an executive called either the Management Committee or Board of Directors. It consists of from eleven to fourteen members including officers. The Management Committee is usually elected at a general meeting, and the committee-men hold office for a specified time but are eligible for re-election, subject in some societies to a time limit. Only a member of the society can serve on the committee, and usually an employee of the society is debarred from holding office. Committee-men do not receive a salary; an ordinary business meeting "from time to time determines the remuneration for their services as they think fit." The employees, who may or may not be also members, are persons in receipt of a salary or wage from the society—the salaried secretaries and managers, the salesmen and saleswomen engaged in "distributive" departments, the managers, foremen, and workers in "productive" departments. The committee are directly responsible for the employees; they engage and discharge them and fix their duties and their salaries and wages.

Such is the constitution in brief outline of a co-operative society. If, however, Co-operation stopped with the creation of the individual society, it would have no claim to be called a movement or to have established a great system of industry. The individual society is only the unit upon which the co-operative system is built up. Practically all the societies are federated for industrial purposes in two immense societies, the English and Scottish Co-operative Wholesale Societies. The form and constitution of the C.W.S. is modelled exactly on that of the retail society; the retail society is to the C.W.S. what the individual member is to his retail society. The societies buy the goods, which they are going to sell to their members, from the C.W.S. for cash: the profits which the C.W.S. makes

by manufacture and wholesale dealing are returned to the retail societies in the form of a dividend upon their purchases. The capital of the English C.W.S. consists of £2,284,758 share capital and £6,404,077 loans and deposits: this capital is subscribed or loaned and deposited by the constituent societies. In 1916 its sales to societies amounted to £52,230,000, of which over £16,000,000, or about 30 per cent., represented sale of goods manufactured in its own factories.

The other important organ of the movement is the Co-operative Union. It is a federation of nearly all the societies for educational, legal, and political purposes. It publishes co-operative statistics, holds inquiries, conducts propaganda, gives legal advice, initiates parliamentary action, and acts as the central authority for the educational activities of the movement. Once a year it holds a Congress, which is in some respects a kind of Co-operative Parliament. The C.W.S. and the Co-operative Union may be called Official Organs, but there are also certain non-official bodies requiring notice, namely the three Women's Co-operative Guilds (the English, Scottish, and Irish), and the Men's Guild. Of these non-official bodies, the Women's Co-operative Guild is the oldest and largest. It is an organization of women co-operators, numbering now about 30,000, the objects of which are to educate its members, advance co-operative principles, and to obtain for women's interest the recognition which within and without the movement is due to them.

Such is the bare skeleton of the movement. It may be difficult to see in this bald account of it any justification for the co-operator's hopes and aims. But it is only fair that the reader should remember that it is nothing but a bare skeleton and should suspend his judgment until he has seen in the chapters that follow the principles upon which the skeleton has been constructed, and the ideals of the men and women who form the flesh and blood of the movement. When he has done so, he will probably admit that the organization of industry in the co-operative society and C.W.S. factory is fundamentally different from that in the ordinary shop and capitalist factory.

CHAPTER II

THE ROOTS OF THE MOVEMENT

THE Co-operative Movement was born in 1844 at Rochdale in Lancashire, when twenty-three working men opened the famous store and founded the famous Rochdale Equitable Pioneers Society in Toad Lane. But it is impossible to explain the real nature of the growth of Co-operation without some reference to the history of the working classes in the early years of the nineteenth century. The reason is that the movement grew out of the deep-rooted and almost unconscious ideals of those classes. The spirit which has won to so great a success in the last half of the nineteenth century had been moving—unsuccessfully it is true—upon the face of the waters during the first half. Owenism, Communism, Chartism, these were the first lights to which Labour turned to lead it out of the darkness and horror of the industrial revolution: these lights failed; but it was a spark which had fallen from them that guided the first co-operators. Robert Owen is still rightly regarded by co-operators as the founder of Co-operation, although as a matter of fact there is practically nothing in the outward form and methods of the modern co-operative society and the Co-operative Movement which owe anything directly to the varied and peculiar doctrines of Owen. This remarkable man united the enthusiasm of a Hebrew prophet with the patient genius of a successful man of business, the prophetic vision of a great statesman with the credulousness and simplicity of a child, the reasonableness of a rationalist with mental blindness worthy of a bigot and a theologian, and finally the charm of a genius with the tedious verbosity of a bore. He approached from the standpoint of a producer the problem which the modern co-operator, approaching it as a consumer, may claim to have partially solved. That problem is the perpetual increase of poverty and misery in a world in which there is a perpetual increase of wealth.

In one of those "addresses" which at one time Owen presented on every alternate day to the gentlemen who direct the London Press, the Governments of Europe and America, the British Nation, etc., he says to his fellow-countrymen: "After having visited various countries, I find you on my return increased in wealth, and also in poverty and distress. . . . That increased appearance of wretchedness visible among the lower orders . . . producing among the population of these kingdoms an appearance of less satisfaction and more misery than is visible among any other people, whether free or enslaved, in any other part of the globe" The thought of this misery—the misery of what the modern Syndicalist calls the "Hell of the Wage-earner"—dominated Owen's life. He was one of those men whose bodies grow very old but whose minds always remain young; he never lost the faculty of enthusiasm for ideas. That is why all through his life he was preaching the same gospel: the destruction of misery and poverty and distress. As an employer in his own New Lanark factory, he showed that by altering the conditions of labour and the workers' life, the "Hell of the Wage-earner" can be converted into an at least tolerable place for a man to live out his allotted lease of years. So tenacious was Owen's mind, that to the principles which he learned during his New Lanark experiment can be traced all the doctrines which in his later life he vainly urged the world to adopt. At one moment it is a doctrine of good wages and short hours, and education, "the reward of labour according to the need of labour," at another it is a new system of society, "communities" and "co-operation" and "labour exchanges": while in 1830 he declared to an unconvinced and unastonished world: "Man is incompetent to think as he pleases, or to feel as he likes: and yet all the moral and religious systems known have been made to rest solely on the contrary supposition. This single error is the origin of evil among mankind, and alone generates all the evil existing at this hour among the human race. . . . If it be true that man is forced to believe according to the strongest conviction made upon his mind, and to feel according to the impressions which external circumstances make upon his individual organization, then a very superior moral, political, and commercial system for the practice of the world may be immediately adopted, and evil and suffering may be altogether removed from human soil."

Owen naturally considered the problem always from the point of view of the producer. He sprang himself from the "working class": he began to earn his living at ten years old:

he had himself known what it means to work fourteen to eighteen hours a day for a few shillings a week; from a boy in a retail shop he became manager and ultimately owner of factories. The evil that he saw was the evil of sweated employment, the evil of unfettered competition and unlimited supply of labour. From the very first he set out to purge the world of the curse of Adam, the misery of labour. At first he turned to the State and to the employer. He pointed to his own factories at New Lanark to show what could be done by education and by regulating the conditions of employment. In this he was the prophet of factory legislation and of Education Acts. But his vision and his hopes were too large to deal patiently with the sterile and tedious business of commissions and resolutions of the two Houses of Parliament. He sowed the seed and was off again on the wings of a larger and newer theory. Competition, profit, the private employer, the occupation of "buying cheap and selling dear," the money wage of labour, all these, he urged, are the signs and the causes of an evil system of production. It is a system under which there can be no true civilization, no real truth, honesty, or virtue, nothing but a perpetual and universal itch to oppose and destroy. In this sordid warfare the weakest, the man with no weapon to his hand, the man who labours, goes to the wall. He is born in degradation and poverty, he is educated in squalor and vice, he lives on toil and penury, and he dies as he was born. The cures for these evils were, according to Owen, so simple and so clear that he could never understand to the day of his death how the mere statement of them to the world did not carry with them their immediate adoption and the inauguration of the millennium. To substitute co-operation for competition, to eliminate profit and the private employer, to abolish the money wage of labour, would be to ensure to the labourer the fruits of his labour. All this could be accomplished to-morrow by a system of co-operative production in self-supporting communities. Owen's co-operation was, therefore, the most extreme form of co-operation of producers, and the most uncompromising form of Socialism. The inhabitants of his communities were to be the owners in common of the land upon which they lived and worked, of the instruments and means of production, and of the fruits of each man's and every man's labour.

In the middle years of Owen's life he had turned to the rich and the powerful, princes and politicians, bishops and great manufacturers, and called upon them to put his schemes for abolishing misery and poverty into immediate operation. Will-

ing himself to spend the whole of his fortune upon what other practical men regarded as chimeras, he could never really believe that it was impossible to persuade the rest of the world to do the same. The amazing thing is that he made as much impression as he did upon the rich and powerful. Queen Victoria's father became his personal friend, was in this life converted to Socialism, and as a spirit from the other side of the grave, according to Owen, still signified approval of his system by table rapping. Members of both Houses of Parliament discussed his schemes: the Prime Minister and Cabinet, bishops, the leaders of the Opposition, and other eminent men agreed to join his committee, which was to consider the practical steps necessary for immediately starting the millennium. The only persons who never showed any signs of being converted to his views were his brother manufacturers and capitalists.

Owen's hopes of persuading the wealthy and ruling classes to take any practical steps to deal with the poverty of the workers under a capitalist system dissolved suddenly. It was discovered that Mr. Owen was an atheist, but what was worse that he did not fear to confess it. When challenged at a public meeting, he denounced "all the religions of the world," and from that moment it became clear to the upper classes that a man who had such views on religion could have no sound views on political and social economy. But from the moment that the governing classes decided that Owen was no longer a man who had to be reckoned with, his real influence upon the world began. During the latter part of his life it was to the workers themselves that he preached his systems. The extremest forms of poverty, misery, and degradation had prepared the ground well for what was the first real message of hope for labour under the new conditions of industry. There is practically no working-class organization which does not in the ideals and philosophy of those who compose it owe a large debt to and bear signal traces of the ideals and philosophy of Owen. But at first his teaching, fired itself with an enthusiasm which saw always more of the desired and future world than of the world of to-day, carried Labour on the wave of a like enthusiasm into fantastic social experiments and impossible Utopias. Owen and his working-class followers made the ridiculous, and at the same time magnificent, attempt to step straight from the eighteen-twenties into a really civilized state.

Owen founded his first co-operative community in 1825 at New Harmony in America, upon the banks of the Wabash river. The air in England had been since 1820 full of projected communi-

ties. It is easy now to laugh at the simplicity of these early co-operators and communities, and at such idiosyncrasies of Owen's first converts as a predilection for sleeping in wet sheets or for a diet of dried peas. Men whom misery has rendered hopeless are always apt to snatch at the least attainable hopes. The *Co-operative Magazine* could seriously discuss the satirical plan of James Hamilton to found a community with one hundred handsome tailors and five hundred young women who were to be "virtuous and beautiful, and not under five feet one in height." Most of these communities not unnaturally remained in the air, but a certain number of them started on real earth and ended in the failure which already hung over New Harmony. Abram Combe and Hamilton, the inventor of the community of handsome tailors, bought three hundred acres of land at Orbiston, near Glasgow, for £20,000, and settled over three hundred people in the community. Combe himself soon died from a chill caught in the unaccustomed digging of the communal land, and in 1827 the whole scheme collapsed suddenly. But failure had no retarding effect upon the spread of Owen's doctrines among the working classes, who saw in the community system a hope of a free life denied them under Capitalism with its long hours and starvation wages.

Between 1825 and 1844 large numbers of co-operative societies were started among the working classes with the intention and hope of ultimately turning them into Owenite communities. These early co-operative societies or union shops were retail stores started on funds subscribed by small weekly deposits. The idea was to lay out these funds in the purchase of necessaries which were sold at a profit to the members, and, as the capital of the society increased by the deposits of the accumulated profits, ultimately to employ the members in manufacture and upon communal land. The produce of the members' labour would then be common property, and the society would be in the true sense a community. None of these societies ever developed from the chrysalis stage of Co-operation into the butterfly stage of Communism. Success was, in fact, almost as quickly fatal to them as failure, for, owing to the poverty of the members, the temptation to revert to individualism and withdraw any capital which accumulated was strong. But though no communal experiment sprang from this first Co-operative Movement, Owen was able to try himself one more experiment in his co-operative community system before the birth in 1844 of the modern movement. In 1835 he had founded and become the "Preliminary Father" of the "Association of All Classes of

All Nations formed to effect an entire change in the character and condition of the human race." In 1836 Owen became the "Rational Social Father" of this Association, and in 1839 the Association itself, which now had a large membership, fifty-three branches and considerable funds, amalgamated with the "National Community Society" and changed its title to "The Universal Community Society of Rational Religionists" In the same year the society took upon lease the Queenwood estate of over five hundred acres at Tytherly in Hampshire, and proceeded to settle a co-operative or socialist community upon it. The Queenwood experiment was the most important and longest lived of all the Owenite communities in Great Britain. It was also the most thoroughly working class, for a sum of no less than £9,000 was contributed towards its establishment in small sums by workers. Owen himself was governor of the colony until 1842. But there was never from the first any real signs of success; the initial mistake was made of spending far too much upon the buildings; and the community, which tried to farm five hundred acres with no real knowledge of farming, never became self-supporting. Unsatisfactory balance sheets followed one another with dismal regularity, and in 1845, one year after the establishment of the Rochdale Pioneers, the society, having a deficit of £14,000, was wound up, and the last Owenite communists faded out of the Hampshire community and were swallowed up in the capitalist world which had surrounded them.

Owen lived for thirteen years after the failure of Queenwood; and though no further attempt was made by him to put his system into practice, he never lost hope that the world might be regenerated by his doctrines. This courageous optimism of the leader was manifest in his working-class disciples who laid the foundation of the modern movement at Rochdale. There can be no doubt that the ultimate hopes of the founders of the Rochdale Pioneers' Society were the same as had animated the founders of the long line of Owenite co-operative societies and union shops between 1825 and 1844. Their aim was to climb into heaven upon a ladder constructed of the most earthly and trivial things, to build a community of free men upon the unromantic buying and selling of small quantities of groceries. Owen himself all through the latter part of his life was prone to believe that there was a short cut to his heaven upon earth; that society could be revolutionized, and all its evils together with the frailties and malignant passions of human nature extirpated by the gathering together upon communal land of

some hundreds of men and women, the waifs and strays of the capitalist system. He made the old and fatal mistake of idealists of reversing the order of creation. But the men who founded the Co-operative Movement were of a very different stamp; they were still immersed in the petty and daily tyranny of the struggle for existence under a system which—whatever reasonable apologia might be found for it in the theory of economists and the speeches of capitalist members of parliament—in practice brought their children to work for twelve hours and more each day at the machines, and their wives and daughters to be harnessed together and drag the trucks underground in the coal-mines. These men knew by experience and the instinct born of experience that things do not exist merely because they ought to exist, and that an ideal does not materialize merely because it has been born in the minds and words of an idealist. They took Owen's ideal enthusiastically and whole-heartedly as their own, but they started to work for its attainment from the petty things of their everyday life.

It is exceedingly important that the objects of the first modern co-operators should be clearly understood: a failure to do this has again and again led to misunderstanding of the subsequent history of the movement. Co-operators sometimes speak as if the movement has always been imbued with the full idealism of Robert Owen; its opponents often reply that it has completely lost all idealism and that its motives are purely materialistic and capitalistic. Neither of these views is correct It began with ideals, the communal and socialistic ideals of Owen, and the breath of Owen's large hopes and lofty ideals has never died out of it; but the lines and extent of its development have been such as its founders neither hoped for nor conceived. It has lost, it is true, the particular theories and ideas which it took in 1844 from the system of Robert Owen, but there has always existed within the movement a body of men and women who have held that the ultimate object of the co-operative system is not the everyday buying and selling in the store, but the working out through that system of a better condition of society. These men, idealists in the full sense of the term, have had a very great effect upon the development of the movement, and, if they ever succeed in moulding the movement into the shape they desire, though the particular steps and details would differ very materially from those which were in the minds of Robert Owen and the flannel weavers, the most important of the ideals of 1844 would none the less find their fulfilment in the ideal Co-operative State of to-day.

The working men who founded the Rochdale Equitable Pioneers' Society stated very clearly in their first "laws" the objects of their association:

> The objects of this society are to form arrangements for the pecuniary benefit and improvement of the social and domestic condition of its members, by raising a sufficient amount of capital, in shares of one pound each, to bring into operation the following plans and arrangements:—
>
> The establishment of a store for the sale of provisions, clothing, etc.
>
> The building, purchasing, or erecting a number of houses in which those members desiring to assist each other in improving their domestic and social condition may reside.
>
> To commence the manufacture of such articles as the society may determine upon, for the employment of such members as may be without employment, or who may be suffering in consequence of repeated reductions in their wages.
>
> As a further benefit and security to the members of this society, the society shall purchase or rent an estate or estates of land, which shall be cultivated by the members who may be out of employment or whose labours may be badly remunerated.
>
> That, as soon as practicable, this society shall proceed to arrange the powers of production, distribution, education, and government: or in other words, to establish a self-supporting home colony of united interests, or assist other societies in establishing such colonies.

It will be seen at once from these "laws" that the ultimate object of the Rochdale co-operators was the foundation of the socialist community of Owen, just as it had been the object of the other early co-operative societies or union shops. But the society was not going to proceed to the arranging of the powers of production, distribution, education, and government until it was practicable—and at present the founders realized that it was not practicable Their idea was to proceed by slow stages; first to acquire capital by weekly deposits and the profit from the establishment of a retail store, second to settle their members in houses built or purchased for them, thirdly to employ their own members in manufacturing for the society. On the face of it the scheme of the Rochdale Society was to attain communism through an association of producers, and to obtain the capital necessary to start the association of producers by opening a retail shop. That this was the scheme in the minds of the founders is confirmed by what we know of the events which led to the foundation of the society. In 1843 there had been agitation in the flannel weaving trade for better wages: strikes and lock-outs had resulted in the men being beaten. The Pioneers' Society was to be the Rochdale weavers' answer to the victorious masters, and its great and ultimate object was to provide employment and fair wages for the vanquished.

That is why in the "laws" there is the insistence upon the fact of existing unemployment, and bad wages: employment is to be found and houses built for such members "as may be without employment," or "out of employment" and "suffering in consequence of repeated reductions in their wages," or "whose labour may be badly remunerated."

The history of the Rochdale Society and of the whole Co-operative Movement has been curiously different from what these founders must have wished it to be. There can be no doubt that the very thing which gave them success ensured the failure of their schemes. The invention of the dividend on purchase by Howarth, and its immediate adoption by the Pioneers, in the first instance removed the stumbling-block which had brought failure to the union shops, but at the same time made it certain that the Co-operative Movement would be an association of consumers and would not reach Socialism through association of producers. The full effects of the dividend on purchase and the real distinction between consumers' and producers' co-operation were not understood by the earlier co-operators: and this want of understanding has come down through the whole history of the movement—it still exists to some degree at the present day—causing dissension among co-operators themselves, and unmerited criticism from outside. The interest of the early years of the movement after 1844 lies in the gradual success due to the dividend system, and in the way in which that system forced it into paths not contemplated by the individuals who composed the movement.

The difficulty of the pre-Rochdale societies had been capital and the accumulation of profits. If the retail shop was managed successfully, the profits accumulated and the danger and temptations of capitalism immediately pressed in upon poor men and women who had banded together to find some alternative system. The co-operator in the successful union shop became at once a small capitalist, and the smaller he could keep the society the larger would be his share in the accumulating profits. Moreover, the more those profits accumulated, the greater became the temptation to the members to withdraw their shares rather than risk them in the precarious venture of some communal experiment: but if shares were withdrawn, the results were the immediate lapse of the society from co-operative intention into actual capitalism—for each member was sharing in profit as a small capitalist—and ultimately the dissolution of the society. Such was, in fact, the history of one of the best-known, earliest, and most successful of these union shops, the Brighton

Society, the beginning of whose end came when a minority of the members withdrew their share of the capital and built a fishing-boat. The Rochdale system completely did away with these difficulties and dangers, and, though like everything mortal it has some defects of mortality, it released co-operation from the fatal disease which had previously affected it. No society after 1844 which adopted the Rochdale system has ever perished of material success, and good management and large profits have always been followed in every society by more fervent co-operative loyalty and in increase in the number of members. This is due in the first place to the unique effect of the dividend on purchase—an effect, as Mrs. Webb has remarked, which even now it is almost impossible to get the ordinary capitalist to understand or believe—that the more successful a co-operative society is in trade, the more clearly it is to the advantage of members to increase the membership. The larger the number of members who buy at the store, the larger will be the turnover, and with good management the rate of increase in profits should be greater than the rate of increase in sales, so that theoretically an actual increase in members and sales ought to be followed by an increase in the dividend. There is hardly a co-operative society which has not found that in this case practice answers to theory, and the fol owing table shows to what an extent these causes have operated in five large societies taken at random.

	Tenth Year.			Twenty-fifth Year.			Fiftieth Year.		
	Members.	Sales.	Dividend.	Members.	Sales.	Dividend.	Members.	Sales.	Dividend.
		£'000	s. d.		£'000	s. d.		£'000	s. d.
Bolton..	2,403	37	1 3¾	11,657	326	2 8	30,601	917	3 0
Leigh ..	2,205	48	1 3¾	3,096	65	1 1¼	9,956	323	3 0
Barnsley	2,522	68	1 7	10,583	293	2 2½	20,781	718	2 6½
Keighley	450	16	1 4	3,699	104	2 7¼	10,412	262	3 0
Lincoln.	1,032	20	1 4½	4,448	102	1 6	12,781	344	1 7¾

The rate of interest on capital is fixed, and the amount of capital which can be held by each member is limited: the only

way therefore in which a member can share in increased profits is by purchasing from the store. It follows that in a successful society it is to the advantage of each member that he himself should purchase as much as possible from the society, and also that the number of other members and the amount of their purchases should increase as much as possible Thus we get the first, and one of the most important characteristics of the co-operative system of industry, namely, that the more materially successful that system becomes, the more clearly it becomes the interest of co-operators to share that success with the rest of the community. The shareholders in a co-operative society which is doing well are always anxious to increase their numbers ; the shareholders in a joint-stock company know well that by increasing their numbers they will only reduce their profits.

These causes undoubtedly account for the ultimate commercial success of the new Co-operative Movement. They began to work at once in the Rochdale Society : and when the fame of its system and of its success spread among the working men and women of the North and Midlands, numberless societies modelled upon Rochdale sprang into existence. Their members were of the same class, shrewd, practical and terribly schooled by the "industrial system," as those who twenty years ago had accepted Owen's communism and had tried to attain it through the union shops This time they accepted it in the diluted form of the Rochdale system. The societies sprang up in this town and that, here among a little band of weavers, there among spinners or miners or machine makers. Many of them perished quickly of bad management or want of faith, of poverty or of stupidity or of ignorance. But many succeeded, and the history of their success is curiously similar from society to society. The little band of enthusiasts, usually containing a few Owenites, Socialists, and Chartists, obtain particulars of the new system from Rochdale ; scrape together a little capital by small weekly deposits, buy a quantity of groceries, and sell them to themselves in the evening after the day's work in a small room hired in some mean street. A small profit is made, and the first year perhaps a dividend of 1s. in the pound is paid to purchasers. Membership increases : the society becomes too large for the unpaid services of members to be sufficient : the store is opened now all day long, and there is a paid salesman. At the head of affairs, on the committee and in the president's chair, are men educated in the finest school of life for practical affairs, and with the inborn gift of "management." Such a

society has turned the first corner on the road to success: the single retail store is well managed, the membership is increasing, and the dividend is steady.

It was at this point that the old union shop grew top-heavy with accumulated capital and capsized into capitalism. The co-operative store remained steady in success owing to the gyroscopic action of the dividend on purchase. But it is also precisely at this point that it parted irrevocably from the definitely Owenite and Socialistic objects of Co-operation as defined in the laws of the Rochdale Society. If the society really was to employ its own members, buy land, and eventually found a real community of labour and property, there is no doubt that this could only be accomplished by keeping "profits" in the society and communal. The dividend payable to the purchaser, and withdrawable, made the society stable in success, democratic, and anti-capitalistic; but it none the less introduced immediately into the movement a strong individualist tendency. It made any rapid change from individualism to socialism or communism absolutely impossible. And as a matter of fact, after 1844 there never was any attempt or even suggestion to turn a co-operative society into a self-supporting community. The Co-operative Movement parted with Owenism at Rochdale.

Here again it must be pointed out that co-operators themselves for many years did not realize the course upon which they had embarked. The aim of Owen and his community system, and of producers' co-operation and syndicalism which are their direct successors, is to take each man in his capacity of worker or producer, and reorganize society on that basis. Under all these systems industry and its control is thrown into the hands of organized communities of workers. In Owenism the workers are organized in ultra-socialistic, self-supporting colonies; under producers' co-operation in a number of communities formed of all the persons working in (and owning and controlling) particular factories and workshops; under syndicalism in communities of all the persons working in each industry or trade. But the organization and aim of the Rochdale Society, and therefore of the whole Co-operative Movement, is entirely different. A man or woman entered the Rochdale Society simply as a consumer: whether his occupation was that of a lawyer or doctor, a skilled artisan, an unskilled labourer, or the unpaid mother of a family, made no difference: all were received into the society. It naturally followed that the aim of the community of consumers became not to make a profit

either for employer, capitalist, or worker, but simply to satisfy the wants of the community of consumers.

The conviction that the Rochdale system by giving the control of industry to the consumer aims always and only at producing commodities to satisfy the needs of the community, only gradually became clear to co-operators when they acquired the means to proceed from the control of retail and wholesale trade to that of manufacture. The curious history of the Redemption Societies and the difficulties of co-operative societies in their first efforts at manufacture show how co-operators clung to the old idea that the ultimate object of a consumers' society was to be converted into a producers' society. Five Redemption Societies are known to have existed between 1847 and 1853. The Redemptionists held that the "Redemption of Labour" depended upon the working classes acquiring capital, and that the foundations of redemption could be laid by "a weekly subscription of one penny per week" from every worker. The Bury General Labour Redemption Society pointed out that if 4,000,000 persons subscribed this sum weekly, in sixty years there would accumulate £3,471,129,995 18s. 4d., "which would be sufficient to buy up all the property in the kingdom." The ultimate object of these working men was "associated labour" and Owenite communism under a different name, and the Leeds Society actually started what was probably the last community in Great Britain upon a farm in South Wales. Co-operators themselves supported these schemes to "unite the labour of all for the benefit of all," and six years after the establishment of the Rochdale Society a conference "passed a resolution that it is desirable that every member of every store should pay one penny per week as a gift for the redemption of labour, to accumulate until a sufficient sum should be collected to commence practical operations."

Meanwhile the co-operators' system of dividend upon purchase was itself accumulating sums of capital in their societies which gave them the opportunity of putting into practice, if it were possible, the second item of their original programme, namely, organizing their members in producing commodities for their own consumption. In fact, it is amusing to read how a class of persons, who in 1844 had had to scrape and borrow in order to raise a few pounds, by 1875 were seriously troubled to know how to employ their accumulations of capital. The dividend, and the practice by which members allowed it to remain in the society as in a savings bank, taught the co-operator the value of thrift and gave him the means of building

up the large co-operative industrial system as it exists to-day. But it was only natural that at first they were embarrassed by this sudden flood of wealth. Many societies found very early that their capital was becoming too large to employ only in the retail business, and as they usually paid 5 per cent. interest upon it the difficulty was an important one. They could not refuse to allow members to leave the dividend to accumulate in the society, because that would have been against one of the fundamental doctrines of Co-operation, namely, that it was a duty of a society to make use of, not to refuse, the savings of co-operators, and so to encourage thrift. It was only natural that under these circumstances they should in their perplexity turn to those aspirations with which the movement began, and attempt to use their surplus capital in organizing production.

This they did, and the essential difference between producers' and consumers' co-operation immediately became apparent: but the curious thing is that the very people to whom it was not apparent were the co-operators themselves. The best way of showing this is to take the example of the famous Rochdale Society itself. In 1850, six years after its establishment, it turned its attention to corn-milling, and four years later to cotton manufacture. Writing in 1857, a leading co-operator, Mr. Holyoake, was content to see in these two experiments a fulfilment of the third "plan" of the Pioneers: "to commence the manufacture of such articles as the society may determine upon, for the employment of such members, etc." But, as a matter of fact, the Rochdale co-operators could not, and did not, attempt to start within the consumers' society a corn-mill and factory in which those members could work as an association of producers. There were already six hundred members in the society which was organized to supply the needs of those members as consumers. The object, therefore, of the corn-mill was to supply the needs of the six hundred members for unadulterated flour. If all the six hundred members had been employed in the mill, it might have been possible to put into their hands the control of production in it. But at most only ten or twenty members could be employed. How could the six hundred members, who bought or built and ran the mill with their capital, and in order to supply their needs, hand over the complete control of it to the ten or twenty working in it? Under these circumstances the only conceivable relation of the ten or twenty to the six hundred was the ordinary relation of employed to employer.

What happened in Rochdale happened in many other societies.

Surplus capital was employed in starting manufacture, but in no single case was the control of the mill or workshop or factory handed over to the workers : in other words, it was found impossible to organize co-operation of workers within a society, based on co-operation of consumers. The worker was employed by the consumer, and it virtually resulted very soon that the question of whether or not he was a member of the consumers' society became unimportant. But the failure of co-operators themselves to see in which direction they were moving is shown by the fact that they still persisted in regarding these "productive" experiments of their societies as fulfilling the original objects of Owenism and the ideals of producers' co-operation.

The history of these early experiments deserves, too, more detailed mention because it shows very clearly the real principles of the movement. There were three different methods in which co-operators could and did start manufacture. In the first place, they could do what the Rochdale Society did with their cotton factory: they started a "Manufacturing Society" with a capital of £4,000 subscribed by the Pioneers' Society (and partly by individuals). The capital was subscribed in shares and the profit was divided as interest upon share capital. In other words, the Pioneers' Society was investing in a joint-stock company, and there was nothing co-operative in the transaction at all. This example of the Rochdale Society was widely followed in the early years of the movement. A large number of co-operators and co-operative societies invested their savings in manufacturing joint-stock concerns of this kind, especially in Lancashire. The manufacturing societies were looked upon as one branch, and the consumers' societies as another branch of co-operation, and their importance at this time can be gauged from the fact that in 1861 Lord Brougham estimated that the capital invested in the former amounted to £2,000,000, in the latter to £5,000,000

The second method by which consumers' societies could start manufacture or production was also tried in the Rochdale Society. It was truly co-operative, it extended the principles of co-operation from retail trading to manufacture, and it is the method which in a modified form has led to the greatest extension of co-operative control of industry. The Rochdale Corn Mill was started with capital subscribed in £5 shares partly by the Rochdale Society and partly by individual members. The interest upon the shares was fixed, and the "profits" were divided among the consumers in proportion to their purchases. The whole "control of industry" was thus in the hands of the

consumers. Now it was upon this system that, fourteen years later, in 1864, the English Wholesale Society was started. It began as a wholesale agency, but it went on to manufacture in 1873, when it started a biscuit factory at Crumpsall. Since then it has continually added factory to factory and manufacture to manufacture, until it stands to-day as one of the largest and most varied industrial organizations of the world. It is a concern of which the capital is subscribed entirely by consumers' societies, which is managed entirely by representatives of those societies, which manufactures only to supply the demand of those societies, and which divides the "profits" among them as a dividend upon their purchases.

These two methods of employing co-operative capital in manufacture both imply the starting of a new society distinct from the consumers' society. The third method, which has been also widely adopted in the movement, consists in a consumers' society employing its surplus capital directly in running a "productive department." Thus the Leigh Society began corn-milling in 1863, and weaving in 1866. It invested £5,000 in the corn-mill, and erected the cotton-weaving shed and 224 looms at a cost of £12,000. Each was managed and controlled directly by the consumers' society, and the profits or losses merely went to increase or decrease the dividend paid upon members' purchases.

The interesting part about these three methods is that they have only *really* succeeded in so far as they have embodied the *real* principle which underlies consumers' co-operation. That principle is that the first and the last object of all industry is the production of commodities for *use*, while the object of other industrial systems is the production of commodities for profit. Thus an ordinary retail shop or a factory belonging to a joint-stock company, or even a self-governing workshop under a system of producers' co-operation, are all primarily organized for the purpose of making the highest profit possible. The first aim of the persons controlling each is, in the main, to produce at the lowest cost and to sell at the highest price, and they produce those things which they *think* they can induce the consumer to buy at a high price. But the co-operative society, being composed of organized consumers, works on a different principle. In so far as it is a seller, it sells to itself, to its own members. Now in so far as you sell to yourself, you only think, naturally, of selling to yourself what you want to use. The dividend on purchase is a signal proof of this fundamental principle of the Co-operative Movement. It shows that the

object of Co-operation is attained, namely, production for use, not for profit. The dividend ensures that practically the consumer gets his commodity at cost price, that in the truest sense there are no profits at all.

Now to return to productive enterprises in mills, factories, and workshops, the three methods of employing co-operative capital did not comply with this principle all to an equal degree. The first did not comply with it at all. The use of co-operative capital in the "manufacturing society" was directed solely to making a profit. The organization was that of a joint-stock company, and the product was sold in the open market. The principle of production for use did not enter in at all. And the same is true of a good deal of the manufacture undertaken in the early years of the movement under the third method. Many societies in order to employ surplus capital, like the Leigh Society, organized productive departments, the products of which were sold in the open market. But here again the employment of co-operative capital, with a view simply of making a profit out of it, really and subtly turns the society into a capitalist concern. Under the cloak of the dividend, the co-operator in reality becomes a small capitalist, making the ordinary profits out of the ordinary competitive system. If a society runs a cotton factory, and sells the productions in the open market and pools the profits of the factory with the profits of its co-operative trade, the dividend will consist partly of a true co-operative dividend and partly of profit realized by the employment of capital exactly of the same nature as the employment of capital in a joint-stock company.

On the other hand, many productive departments have been started which do conform to the co-operative principle. It is common to find a bakery, dairy, bootmaking, or dressmaking department the sole object of which is to meet the demands of the members. In the balance sheet of the society these departments will be shown to be earning a "profit" and that "profit" will, of course, go to increase the dividend. But since the goods are only produced to meet the ascertained demands of the members, and the member receives the dividend upon his purchase, the "profit" is not profit in the strict sense of the word, and the dividend is in every sense a true co-operative dividend. The same thing applies to those societies started under the second method, the most notable examples of which are the Wholesale Societies. The C.W.S. does not manufacture for the open market, but simply to supply the needs of the constituent co-operative societies. It does

not start a new factory until it is assured that there is a demand among co-operators for the goods to be produced in it. By returning the "profits" to the societies as a dividend in proportion to their purchases, it is carrying out the co-operative principle that the cost to the consumer should be the cost of production. It produces, therefore, not for profit but for use, and while it enables co-operators to employ surplus capital in production for their own use, it does not enable them to use it merely to earn profits for themselves by selling at high prices to other people. That these are not simply theoretical effects of the co-operative system of industry may be shown from the fact that the shareholders in the C.W.S. have been ready to insist that both the prices and the dividend shall be kept as low as possible.

Throughout the movement manufacture has only succeeded in so far as it has conformed to co-operative principle. The failure of the capitalistic and profit-making experiments began when the cotton famine caused by the American War killed the manufacturing societies out of the movement. The famine was an exacting test of the youthful movement; and it had this desirable result, it showed where the weakness and where the strength lay. It struck heavily at the manufacturing societies, completely destroying a great number of them, while the consumers' societies came out of the strain triumphantly. It consolidated the movement as a movement of consumers' societies, and it killed the tendency which had manifested itself about 1860 of concentrating the attention of co-operators upon semi—and demi-semi—co-operative manufacturing societies, financed by capital accumulated in the stores. These societies, it is true, did not completely cease to exist, and their subsequent history is by no means one of failure: they developed logically into the "Working-Class Limited," frankly joint-stock enterprises of which the shareholders are mainly working-class persons; but after 1864 they lost for ever their place within the Co-operative Movement, and left the way open for the new and co-operative development of manufacture in the Wholesale Society.

Similarly the "productive departments" of societies have only succeeded in so far as they have been organized for supplying the demands of co-operators. The cotton-weaving shed of the Leigh Society, referred to above, cost it a loss of £24,000 in the first thirteen years and was then given up, and a similar history might be told of nearly all societies which started productive departments, the object of which was merely to employ

surplus capital and not to supply the demands of the members for a particular commodity. In 1913 the value of the output of productive departments was estimated at the imposing figure of fourteen and a half millions: but practically the whole of this production went to supply the demands of members. About three-quarters of it comes from bread-baking, slaughtering, and other food industries, and the greater part of the remainder from small bespoke bootmaking and tailoring departments. None of these departments attempts to supply the open or non-co-operative market.

It is necessary here to insist upon a fact which is obvious to all who have a personal knowledge of the movement, but may escape the notice of those who have not. It may seem at first sight that what has been said above implies a serious limitation upon the possible growth of co-operative industry A number of industries, especially major industries like cotton manufacture, cannot under modern conditions be profitably carried on at all, unless the market for the products is a large one. Even a large society with 20,000 members could not run a cotton factory, if it could only sell its goods to its own members. And in fact that is the reason why the attempts of societies to enter themselves into those major industries have ended in failure, whereas in an industry like bread-baking, in which a much smaller market is necessary, they have been perfectly successful. But this difficulty is got over by federation. The 1,200 societies which are federated in the English C.W.S. have over 2,500,000 members. If the C.W.S. can really meet the demands of those 2,500,000 members and their families, they have a market sufficiently wide to enter almost any industry except engineering, machine-making, etc. This is, indeed, what has actually happened, for while the individual societies have tended more and more to confine their productive activities to minor industries, the C.W.S. has continually increased the range of its individual operations. Thus in 1915 the value of the output of some of the industries carried on by the two Wholesale Societies was as follows:—

Industry.	Value of Products.
Corn-milling	£8,911,860
Soap	1,383,000 *
Cotton, linen, silk, and wool	1,326,000
Boots, shoes, and leather	1,224,400
Tobacco	992,000 *

* Figures of 1913.

CHAPTER III

A DEMOCRATIC SYSTEM OF INDUSTRY

THE last chapter dealt with the development of the movement. It showed how and why the co-operative system of industry came into being. It explained a very important side of that system, and one which is often not recognized outside the movement. The fact that men and women join the co-operative society as consumers, means that the industrial operations of that society are conducted by consumers, and therefore that production is organized for use or consumption. An ordinary factory is built and starts working only if its owners believe that it will earn profits or dividends. The C.W.S. builds and starts a factory primarily to satisfy the demands of its members for the goods that will be produced in it. It follows that, both in theory and practice, industry is controlled in different ways under the two systems Under the first it is controlled in the interests of the persons who own the capital, and in order to earn a high rate of interest for them ; under the second it is controlled in the interests of the consumers, and in order to supply them with the commodities which they need.

This characteristic is one of the chief causes of the democratic nature of the movement. A system of industry which throws the control into the hands of the owners of capital can never be truly and fully democratic, and the same is true of a system which would throw it into the hands of the workers. The owners of capital will always be only a small minority of the whole community, and industrial workers can never be more than a large majority. But every one, man, woman and child, is in the nature of things a consumer. In a sense therefore the co-operator consumers represent the whole community in a way in which the capitalists or the workers could never represent it. Moreover, since there are no restrictions upon membership, and practically every person can become a member, there is really nothing to prevent the whole community con-

trolling industry through co-operative societies. In fact, in some parts of the country, and in some departments of industry, this is already taking place on a small scale. Thus the Fabian Research Department's Report on the Co-operative Movement mentions the fact that the Desborough Society has a membership of 1,600 out of a total population of 4,500, i.e. practically all the heads of families are co-operators. As the society not only does the ordinary retail business, but is "lord of the manor and proprietor of the site of Desborough," and runs its own farm from which it supplies its members with "milk, meat, poultry, fruit and vegetables," it may be said that a considerable part of the industry of this village is in the hands of the community, organized as consumers or co-operators.

But the democratic nature of the movement does not rest solely upon this fact. Even if the whole community were identical with the movement, and the whole of the industry of the country were in the hands of co-operators, unless the organization of the movement permitted the whole body of the co-operators to exercise its power, it could not be called truly democratic. The idea which lies behind democracy, and which has led to its enthusiastic adoption, is that acts should not be done merely by and for this individual or that individual, or by and for this class or that class, but always in the name of and under the ultimate direction of a community of individuals with equal rights. But in order that this may be possible, wherever there are any complicated operations to be performed, machinery and organization is required which shall permit this ultimate direction by the community to take effect. This chapter will endeavour to describe the organization of the movement from this point of view.

The acme of democracy is often thought to lie in the principle "one man, one vote," and many people have proclaimed the movement a pure democracy because it has adopted this principle. There is undoubtedly a certain amount of truth in this. The ultimate control of every co-operative society rests with the quarterly or half-yearly general meeting of members. At such meeting the management committee is elected, and to it the committee is accountable for the greatest and for the least of its acts. And since each member has at the general meeting one and only one vote, we do find in Co-operation a community of individuals with equal rights, in whom is vested both the power over and the responsibility for all the acts done in the name of the community.

But to understand this is not to understand the whole ques-

tion. The doctrine "one man, one vote" is important, but it does not go to the root of democratic and co-operative principles. In attempting to apply to industry the principles of democracy, co-operators were breaking new ground and they were faced with a most complicated problem. It was largely because they were working-class persons, with those traditions and ideals which were described in the previous chapter, that they saw instinctively where the crux of that problem lay. It lay in Capital, and the dangerous power of Capital in an industrial system. Co-operators have clung tenaciously to the view that democracy is impossible unless Capital is the servant and not the master of the man, and they have therefore continually insisted upon fortifying the principle "one man, one vote" by the further principle, "the man and not his money to be the pivot of the industrial system."

What the co-operator saw and still sees in the non-co-operative business and factories around him is this. First the motive power which begins to set industrial operations in motion is capital. As we noted in the last chapter, the object with which an ordinary shop is opened, or an ordinary factory is built, is profit or the earning of interest upon capital. In other words, the primary object is that money shall make money. But here deep down at its very commencement co-operation, as we saw, proceeds on a different principle. The original co-operative motive power is the needs of the man, not his money; and the co-operative store or factory starts operations in order to supply the needs of its members, not in order that their money shall earn money. It is the man who begins as the pivot of the system. And at the risk of repetition, it is necessary to point out that this is not a matter of purely theoretical interest. It has the most practical effect upon the working of the two systems of industry, the co-operative and the non-co-operative. If you take the community of a country as a whole, it is clear that its interest is simply that industry should supply its needs, by which one means those commodities and services which are necessary if the individuals forming the community are to lead a reasonably healthy and happy life. It is widely recognized that the ordinary industrial system does not do this, and very largely because the needs of money and not the needs of man are the pivot of the system. Many writers in recent years have lamented the appalling wastefulness of our industrial system—the fact that an enormous amount of industrial energy is expended first in producing things which nobody really wants, and then in inducing people to believe that they want them. All

the making of shoddy articles, all the touting and advertising which is directed to induce people to buy them, are so much waste of industrial effort and energy from the point of view of the democracy or the community. And this waste exists because we organize our industries not in order to supply the wants or to produce things for the use of the community, but in order that capital may be profitably employed. That this is true in practice is proved by the fact that this kind of waste scarcely exists at all under the co-operative system, even though co-operative societies to-day are forced to compete with non-co-operative businesses. There is no motive in a co-operative society or a C.W.S. factory to induce its members to buy a shoddy article or one for which they have no real need or use, and in consequence one finds that the £100,000,000 of annual trade can be conducted by the movement with practically no advertising at all

This, then, is the first great practical difference between the co-operative and the non-co-operative systems, that in the former the motive power which sets in motion industrial operations is the needs of the individuals forming the community, while in the latter it is the necessity of "money making money." But the co-operator, looking round upon the industrial system in which he worked and lived, saw clearly that, in order to democratize industry, further drastic steps to limit the power of Capital in the actual working of industry is required. What he saw was that under the system of competition among individuals, and in a world in which a small class of persons possess capital and a large class do not, the mere possession of capital affords to its possessor an immense power over large numbers of his fellow-creatures and their lives. And he experienced this not only as a worker in the power which the employing capitalist has over the conditions of work and wages and therefore of living which he can impose upon Labour, but also as a consumer in the enormous power which Trusts and Monopolies have acquired to prescribe both what commodities the community shall consume and what price it shall pay for them.

It is necessary to insist upon this point at some length, because neither the ideals of co-operators nor the actual working of their system can be understood unless one understands the position assigned to Capital in the movement. No class knows more intimately the dangers that lurk behind Capital than the working classes. Socialism and Syndicalism, and all the philosophies and politics which appeal to those classes, show that

to Labour Capital appears as a beautiful and dangerous wild beast, or as a kind of Helen of Troy, desired by all and bringing in her train wide ruin, misery, and desolation. Few people will deny a certain measure of truth in this estimate: capital is so closely connected with that human passion, desire for gain, in whose name consciously or unconsciously more inhuman acts have been done than in the name of any other passion. The real danger of capital is that it is so difficult for its owner or its lover to know what it is doing: to use it he must put it out of his hands into the hands of others: and he loses the sense of his ownership and of its tangibility, and therefore of his personal responsibility. And so the man that would be moved to genuine indignation at the thought of misery being wantonly inflicted on a mosquito, cannot be brought to see that he is in any way responsible for the human misery caused by his £100 judiciously invested to bring in a safe £20 per annum.

But, for all that, as a practical man, desirous to produce things for his own consumption, the co-operator had to recognize the enormous utility of capital. The problem with which he was faced was to obtain sufficient capital for carrying on industry, but to throw the control of it into the hands of the community. He has attempted to do this in two ways. In the first place, he has refused to give any power within the organization of the movement to a man merely as a possessor of capital. Each member has a vote, and only one vote; and he has the vote because he is a member, an individual of the community, not because he possesses so many shares and therefore so much *financial* interest in the movement. In this way every individual is given exactly the same power of influencing the conduct of industrial operations, of determining what shall be produced, under what conditions it shall be produced, and at what price it shall be sold to the consumer. Whether he has one share or two hundred shares, his power remains exactly the same—in other words, again, it is the man and not his money which is the pivot of the system. And this principle is logically extended to every part of the movement; it exists not only in the retail societies, but in the federation of societies, the C.W.S. The actual operations of the C.W.S. are controlled by an executive, a "general committee" of thirty-two directors who are elected by the societies: the executive is responsible to, and the ultimate control of industry is vested in, the quarterly "business meeting" of the delegates of the federated societies. In the election of directors, a society has one vote for every five hundred of its members, and to the business meeting a

society can send one delegate for every five hundred of its members. Thus the unit of power in the control of the C.W.S. remains strictly the individual man or woman member of the retail society; and the community of three and a half million members can, through their societies and their delegates, if they choose to exercise their power, determine the policy of these great industrial operations.

This, too, is no mere question of theory or machinery, it touches closely and practically the whole future of industry and human welfare. This arrangement by which co-operators have refused to allow Capital to acquire any power over the machinery of industrial organization abolishes at a stroke one of the most dangerous evils of the undemocratic system which has been built up all over the world during the last century. Most people have heard of a "controlling interest," but few realize the evils which underlie the thing which those words mean. It is a common-place, and also true, to say that the most striking feature in modern industry is the economy obtained by organizing it on a large scale. But the invention and growth of the joint-stock company, and the fact that power and control is given to the mere possession of capital, have led to a misuse of this economy from the point of view of the people. The gigantic individual businesses and concerns for the production or distribution of commodities belonging to a particular trade have expanded still further into concerns controlling under one management groups of allied trades. This is effected by small financial or capitalist groups obtaining a "controlling interest" in a large number of separate concerns, or by one joint-stock company obtaining a "controlling interest" in a large number of other companies. In every and any case the result is the same. The mere possession of capital has conferred upon a small number of persons an immense and largely invisible control of a vast area in the fields of industry. But the interest of these small groups are often visibly opposed to the interests of the community. In America, where this kind of super-trust has reached the greatest development, the sacrifice of the community to small capitalistic groups is so obvious that a reaction against it has begun, and the community, by means of legislation, is attempting to control Capital. But it is doubtful whether legislation of the kind attempted is really efficacious. The evil is not peculiar to the trust and super-trust, it permeates the whole organization of industry and consists in the power accorded to capital over the organization. Events have shown that it is hardly possible to allow

Capital to obtain this enormous power and *then* to control it. The right way to deal with evil is not to say: "Thus far and no farther," but: "Get thee behind me, Satan."

The co-operative system has successfully solved this problem, because it has attacked and expelled the evil from every part of itself. It is absolutely impossible for any small or large financial group to obtain a controlling interest in the C.W.S. A society can only increase its power over the policy and operations of the C.W.S. by increasing its membership, so that a direct relation between the community's interests and the control of industrial operations is always and everywhere maintained. On the other hand, the system obtains all the economy which results from concentrating a number of large industrial operations under one management. This is attained by the method of federating societies for the purposes of wholesale trading and manufacture, and by delegating the actual management to a committee popularly elected. A balance sheet of the English C.W.S. proves that the system works satisfactorily from a business point of view. It is not only that the annual value of the goods which it supplies to its members reaches a sum of £52,000,000, and that the estates, factories, and workshops of the Wholesale turn out annually goods of the value of £16,000,000: it is that under the same management a large variety of industries are being carried on on a large scale, and therefore that the economies of the Trust are obtained, while the dangers are avoided. The policy of the C.W.S. has in recent years tended more and more in this direction. Thus they do a large trade in tea as wholesale dealers, and following the example of private traders they have, during the last thirteen years, been led to combine the wholesale trade with the growing of tea. In combination with the Scottish Wholesale they now own and manage 17,519 acres of tea estates in Ceylon and Southern India. An agitation has recently been started in the movement which, if successful, would result in an enormous extension of co-operative industry along these lines. The flour, milling, and baking trades have always been peculiarly the province of co-operation. A large number of societies have bakeries; the C.W.S. does a gigantic wholesale flour trade; and probably about one-tenth of the flour milled in the Kingdom is milled in the mills of the Wholesale and other co-operative societies. The value of the output of co-operative societies' bakeries is about £1,200,000 a year, and of the corn-mills over £9,000,000: the value of the output of the mills of the two Wholesale Societies alone amounted in 1915 to

£8,900,000. Here, then, we have an admirable example of the successful welding together of allied trades under a co-operative system. But the war and the forcing up of the price of wheat have induced co-operators seriously to contemplate extending their operations from the baking of their bread, and the wholesale and retail dealing in and the milling of flour, to the growing and shipping of wheat. The proposal has been made that the C.W.S. should buy a million acres in Canada, invest £6,000,000 of capital in wheat-growing, and thus ship direct, in their own ships from their own lands, the wheat which they require for the 16,000,000 bushels of flour which, it is estimated, they already yearly produce in their own mills. A first step towards carrying out this proposal has actually been taken in 1917 by the purchase of 10,000 acres of wheat-growing land in the province of Saskatchewan.

But if the co-operator has refused to give to the mere possessor of capital any right to control industrial organization, he has also fortified his democracy against the tyranny of Capital in another way. The power of the capitalist under the ordinary system, and the temptation to misuse his power, arise from the fact that business is organized in order to make a profit, and that profit is divided upon capital. Profit may be defined roughly as the difference between the cost of production of an article at a particluar stage of its manufacture and the price at which it is sold. So long, therefore, as profit goes to Capital, there is a steady pressure exerted by Capital with the object of decreasing the cost of production and of increasing the price of the article. What the co-operator and many other people object to in this system is not that the possessor of capital should get paid for the use or loan of it, but that he should exact an unfair amount, and that in the process of this exaction the consumer should be saddled with high prices and the worker with low wages. And there are many facts which show clearly that this process is going on. Governments and municipalities find no difficulty in raising capital by paying for it at the rate of from 4 to 5 per cent. ; yet it would not be difficult to find dozens of industrial concerns which year after year yield a return upon capital of from 10 to 16 per cent., and the difference of return cannot be accounted for merely by the difference in risks. One can scarcely be surprised if the man who works between 2,500 and 3,000 hours yearly in the factory in order to earn £65, thinks that there is something wrong when he finds that another man, who does not probably know where the factory is, is earning the same amount merely

by entrusting £500 to the manager. Nor is the consumer, on the rare occasions when he thinks of the monopoly and "artificial" prices which he is induced to pay, consoled by the thought that they mean an increase of "unearned increment" to some one.

Considerations of this kind have from the very earliest times weighed heavily with co-operators. They are the great legacy of the Owen tradition. It is no accident that in the co-operative dividend they devised one of the few practical methods of cutting the claws of Capital, and so of preventing its interference with the free working of a democratic organization of industry. Their methods and their aims may have been in the early days of their history often unconscious and inarticulate, but they were none the less decisive. "Capital," they seem to have argued, "we must and we will have: but we will be her masters, not her slaves: we will pay her a fixed and a fair wage for her services, 5 per cent., no more and no less." Time has shown that the co-operator was not over-optimistic; he has proved that under his system Capital will come to him and work for the fixed wage and nothing but the fixed wage. It could scarcely be expected that much property and capital could be concentrated in the hands of men and women, some thousands of whom are considered lucky to earn £2 or more in a week, and many thousands of whom have to be content with £1 a week; yet after only seventy years of co-operation the three and a half million members have £90,000,000 standing in their names in the capital of the retail societies alone.

Before leaving this subject it is necessary to point out that a great deal of the criticism directed against the movement with regard to capital is founded upon misconception and ignorance. It is often said that the modern co-operative movement has become thoroughly "materialistic" and "capitalistic," and has abandoned the true ideals of Co-operation. Various facts are put forward in support of these rather vague charges. In the first place, it seems to be argued sometimes that the mere accumulation of capital in the movement make it "capitalistic," but there is obviously an error in this argument. Capital in itself is not an evil in industry, it is a necessity. If all the products of labour were immediately consumed by everybody and nothing was ever saved, industry in the modern sense would be utterly impossible. Capital is produced by saving instead of consuming, and its effect upon the industrial and social system may be either good or bad. If it is kept under proper control, and not allowed to confer

upon its possessor advantages which damage the rest of the community, there is no reason why the effect should not be good; it is only if it gets out of control, and dominates the industrial system, that that system can justly be called capitalistic in the bad sense. The justification of the co-operative system is that it has proved itself able to encourage saving sufficiently to supply capital for future production without allowing Capital to control production, and with production the lives of the producers.

An even more common statement of critics is that a co-operative society is really nothing but an ordinary joint-stock company, and that the co-operative dividend has exactly the same effect as the dividend on capital; and the proof of this is found in the common desire in the movement for high dividends. Co-operators, it is often said, are mere "dividend hunters." It is most important to distinguish the facts that are true from the inferences that are false in these assertions. It is true that a co-operative society is a limited liability company and pays a dividend, but there its resemblance to a joint-stock company ends. The preceding pages have explained how both in theory and practice the co-operative system gives the control of industry to the community while the ordinary joint-stock company gives it to a small class in the community. Nothing can alter these facts or their immense importance; if the whole of industry were carried on under the co-operative system, the effects upon the different classes of society would be completely different from what they are now, when it is mainly carried on under a capitalist or joint-stock company system.

Moreover, though the co-operator in his balance sheets shows "dividends" and "profits," they really have nothing in common with the capitalist "dividends" and "profits" which are found in the balance sheets of joint-stock companies. A very elementary calculation will most clearly show this. Here is the actual balance sheet of a co-operative society. It shows that the share capital amounted to about £560,000. £27,000 was paid as interest at 5 per cent.; £132,000 was paid as dividend on purchases at 2s. 6d. in the pound; the gross profits were thus £159,000. If the society had been an ordinary company, the shareholders would have got £159,000, and the rate of interest would have been about 28 per cent. instead of 5 per cent. Thus suppose A, a member, held shares to the value of £100 and spent £25 in the store, and another member, B, held shares to the value of £2 and spent £100 in the store: then as members of the co-

operative society, A will get £8 2s. 6d. (£5 interest—£3 2s. 6d. dividend), B will get £12 12s. (2s. interest—£12 10s. dividend), while if the co-operative society had been a joint-stock company A would have got £28 and B 11s. 2d.

This calculation alone shows that the co-operative system is not capitalistic in the ordinary sense. Capital takes a completely different place in the society from that which it would occupy in a joint-stock company. And it should be noted that it is not, as is sometimes assumed, merely a question of different division of the spoils or "profits." Under the joint-stock system the share taken by Capital as profits will include (1) interest proper (i.e. the ordinary rate of interest necessary to obtain the use of capital and an additional payment usually an insurance against risk). (2) Economies in production, including any economy due to lowness of wages. (3) The difference between the "fair price" of any article (=cost of production and interest) and the price which consumers owing to ignorance or monopoly are induced to pay. In the first place, the co-operative system starts by separating (1) completely; the payment to capital, a fixed wage, is not included in the co-operative "profits" at all. The "profits" are, as we have seen, the difference between the actual cost to himself of producing and supplying himself with articles, and the actual money price which he pays for those articles at the moment when he buys them across the counter. In one sense the whole transaction can be fairly regarded as a book transaction. If every article in a store were sold strictly at cost price, there would be no dividend and no profits at all, but—and this is the point—no member, and no person or class in the community would find his share in the "produce of labour" lessened or increased by a halfpenny. A high dividend in a capitalist concern always means that it is being made for the owner of capital at the expense of either the worker or the consumer; a high dividend in a co-operative society almost always means simply that the consumer prefers to pay a higher price at the moment in order to accumulate his savings in the society than to pay a low price and keep the savings in his own pocket. The dividend is of course in practice too a necessity, because it is quite impossible to calculate beforehand, and at the moment of sale, the exact cost of production of each article sold in retail trade from day to day across the counter of a shop.

The co-operative dividend upon purchase is a human invention, and therefore not perfection. It is open to abuses, some of which will be considered later. But both in theory

and in practice its operation is entirely different from that of a dividend paid to and upon capital, and it is not open to the abuses which inevitably result from the ordinary system of "dividing profit." A high co-operative dividend, one must repeat, does not mean that co-operators are "materialistic" or "capitalistic," or that any person in the world is paying more or receiving less, or working more, than they would do if no dividend were being paid at all. But though this is strictly true, it is necessary here briefly to refer to a question which will be more fully treated in the following chapter. In the rough analysis given above, of the elements of which the profits of capital are composed, the second item is "economies in production including any economy due to lowness of wages." This of course does not mean that *all* economies of production go to swell the profits of capital. Some of the economies which result from improved processes, owing to the action of trade unions or to competition among manufacturers, lead to a rise in wages or a fall in prices, that is to say, the worker and the consumer receives the benefit of them. But that does not alter the fact that the power obtained by Capital over industrial organization through monopoly and "vested interests" and combinations, through the difficulties of organizing labour or combining consumers, allows for the largest share in such benefits to be appropriated by Capital. The co-operator, however, by eliminating the capitalist, in this sense, and only in this sense, puts the consumer in the place of the capitalist: the co-operative system allows the consumer to benefit by economies of production. Anything which tends to decrease the cost of production under that system, provided that wages remain the same, will benefit the consumer; the exact method by which he will elect to receive the benefit he will decide himself, whether by paying a lower price for the article and drawing the same amount of dividend as before, or by paying the same price as before and drawing a higher dividend.

The justification of the co-operative system in giving these benefits to the consumer as against the ordinary system in giving it to the capitalists may be found in what was said above. The community is a community of consumers, not of capitalists, and therefore, so long as the Co-operative Movement has open membership, it does make it possible for the whole community to benefit by improved processes of manufacture, inventions, management, and the other economies of production, in a way in which it is not possible under the ordinary system. But it must be noticed that from one point of view low wages are an

economy of production. The wages of labour form part of the cost of production, and under the ordinary system of industry a rise in wages may be met either by a fall in the profits of Capital or a rise in the price of the article. Vice versa, low wages may cause high profits or low prices. The most frequent and the most bitter complaint of Labour against the capitalist system is that the extraordinary power which it gives to Capital allows the possessor of capital to keep his profits high at the expense of the workers' wages. But it must be admitted that in this respect, under the co-operative system, the relation of consumer to worker is very much the same as that of the capitalist to the worker under the other. The conflict of interests will be the same, in so far as the effect of low wages in keeping down the costs of production will benefit the consumer at the expense of the worker; and as the system professedly transfers to the consumer the power of controlling industry, there is on the face of it the same danger of the exploitation of the worker by the consumer as there is now of his exploitation by the capitalist.

This is a question which has, in fact, already become a practical problem in the movement. It will be treated fully in the next chapter, in which I shall attempt to show that the elements of a possible solution already exist. At this point it is, however, only necessary to point out that the problem exists, and that the co-operator cannot justly claim that co-operative industry is a kind of industrial millennium, if when we reach it we find the worker face to face with the consumer, much in the same position as he now is with the capitalist. The problem with which we started was the position of the worker in industry, and the widespread dissatisfaction with that position and with the rewards of labour. Co-operation, if it is to justify itself, must show that it can meet the difficulties involved in that problem fairly and squarely. On the other hand, the importance of the position of Labour in industry should not blind us to the fact that the position of the consumer is even more important. The primitive condition of human society and the semi-barbarous state of our intellect are surely shown by our regarding industry invariably from the point of view of its supplying some people with "work" and other people with "money." But to the community it is not money nor work that matters, but the products, the "services and commodities" which industry enables the community to consume. It is not production, but consumption which makes civilization differ from barbarism, and one civilization differ from another.

The sweated Asiatic working in an Eastern factory does not, from the point of view of civilization and progress, differ from the cotton operative of Lancashire by his work, but by what he consumes. As workers or wage-earners the two are scarcely distinguishable, but as consumers, the one may live half-naked in a foul bare hutch, and spend the hours when he is not at work sleeping or sitting in the shade, somnolently chewing betel; the other is well clothed, lives in a clean and furnished house, reads his books and his paper, spends the hours when he is not working at the football ground or the race-course, or if he cares to do so, at the public library. Clearly you may tell the nature of a man not by his work, but by what he consumes, his clothes and his home and his interests and amusements; and the same is true of the mass of men and women which we call society. The vital part of industry for society is consumption; and the most tremendous step in the world's progress would be taken if the community set itself to organize industry, not for providing work or making profits, but for the consumption of the community, for the consumers who are the community.

It may be thought that in this discussion we have wandered rather far from the immediate subject of the chapter, which was the Co-operative Movement as a democratic system of industry. But this is not really the case. We cannot say that democracy has been applied to industry unless the control of it is in the hands of the community, and unless it is organized in the interests of the community. All that we have attempted to do so far in this chapter is to show that the organization of the co-operative movement at least makes these two requirements possible, for it does make it possible to organize industry for the consumption of the community.

But one of the lessons of the nineteenth century was that nowhere can you obtain the benefits which were hoped for from democracy merely by setting up democratic machinery. It cannot be denied that there is a tendency to-day to believe that the promises of democracy have not been fulfilled. It is doubtful whether this disappointment and reproach are justified. The principles of democracy have nowhere in practice been fully and fairly applied. The end of the eighteenth century found the world ruled in every department of it by the vested interests of monarchy, aristocracy, gentlemanliness, education, capital, and beer. But vested interests inevitably prevent the machinery of democracy from working, and the history of the nineteenth century is largely a slow and painful and vacillating

struggle between the two. In that struggle democracy has nowhere so far succeeded in gaining more than a small and precarious foothold, and to talk in the year 1916 already of its failure is just about as sensible as it would have been in A.D. 100 to talk of the failure of Christianity.

Reformers and democrats often, however, make the opposite mistake of imputing the whole apparent failure of democracy, where it has failed, to its opponents. Nothing is more certain than that the great stumbling-block to democracy lies in the people, in the democracy itself. Democratic machinery is practically useless unless the people have a democratic spirit. It is no good giving the people the power to rule unless it also has the will to rule, and the will to rule implies the possession of a large number of qualities which are not obviously common in the world. It implies, for instance, a wide and real interest in the machinery of government and administration, and in all acts which are done in the name of the community. It also implies the existence among large numbers of individuals of a feeling of personal responsibility for those acts which are done in the name of the community. Unless this spirit is present, one of two things must happen, however democratic the machinery of government may be: either the actual power and control falls into the hands of a few energetic and active and usually self-seeking persons, or into the hands of permanent officials and the representatives of the people whose real duties are to execute the will of the people. The last danger is undoubtedly the worst: it is the danger of bureaucracy, that vast bottomless pit which engulfs so many different forms of human government.

These considerations make it extremely important to examine the working of the movement somewhat more closely, to see whether in addition to the democratic organization it shows signs of a democratic spirit, whether in fact there is in the people that interest in and sense of responsibility for industrial matters without which no democratic system of industry could really exist. It may be said at once that the ordinary view is that it does not exist, that the majority of the members take little or no interest in the working and operations of their society, and still less in those of the whole movement, that the interest of most co-operators does not extend beyond the dividend, and that consequently the real power tends more and more to rest in the hands of the executive, the persons who are immediately responsible for the working of societies, the management committees, directors, and the permanent secretaries.

It would be easy to bring forward many facts in support of this pessimistic view of the movement. But in all these cases of appreciation it is necessary to remember that a favourable or unfavourable view depends greatly upon the unconscious standard of comparison in the mind of the appraiser. The existing movement is a very long way from being the ideal Co-operative Commonwealth in which every member would be filled with the consciousness of citizenship and would be consciously a democrat. If we take that as our standard of comparison, we may at once vote Co-operation a failure, and have done with it. The proportion of the three and a half million members who regularly attend the quarterly meetings of their societies must be exceedingly small, and that of course means that the policy of the movement does not reflect any steady control by the rank and file of members who compose it. But, though it is important to understand how far Co-operation falls below its ideals, it is more useful, in judging its capacities, its achievements, and its future, to compare its spirit with that of rival existing systems and with other human institutions which profess to be democratic. I propose, therefore, to conclude this chapter by considering, from this more practical point of view, the working of the democratic spirit in the movement, and by pointing out the peculiar difficulties with which it has to contend.

Most people who have ever attended a quarterly meeting of a co-operative society would agree that they are quite unlike the business meetings of any other corporate body. The attendance is, as we have said, small in proportion to the number of membership; if the membership runs into several thousands, the attendance at most will be only a few hundreds. Yet it is at once obvious that the democratic spirit enters into the business transacted at these meetings in a way which it never does at, for instance, a meeting of the shareholders in a joint-stock company. The first noticeable fact is the large proportion of members present who as a rule take an active part in the discussions and criticism. The second is the volume, freedom, and range of the criticism. The way in which the executive has carried on the business of the society is subjected to a most minute and vigorous dissection; the president, the secretary, and the committee sit for two or three hours under a continual deluge of questions, and the officers of a co-operative society soon learn that the working-class co-operator will go on asking a plain question until he gets a plain answer to it—a characteristic which is essential in the rank and file of a democracy. Nor is this criticism confined to the strictly business side of the

society's operations; it ranges over the whole control of industry exercised by the society. The quality and prices of goods supplied or produced, the methods of keeping accounts, the organization and management of different departments; the construction and repairs to buildings, the wages and treatment of the society's employees; the condition of the society's live-stock, all these and many other questions are discussed in minutest detail.

This characteristic of co-operative meetings has, of course, the weak side in that it sometimes tends to undue interference of the members with unimportant details of management, which are better left to the decision of the elected executive. But it does show that there is a considerable body of persons among the rank and file who will ensure that the policy of the society is not withdrawn from the control of the members. They bring the steady pressure of public opinion to bear upon the officers and committee-men, and as on the whole they are fairly representative of the general body of members, it may be said that, even to-day, industry is in the Co-operative Movement really subject to a considerable amount of democratic control. It is interesting to note one result of this which is most striking to any one attending the meetings of societies. People often forget that any democratic body tends to be a body of experts; nearly every man is an expert in something, and therefore, if you gather a large number of them together, you get a body whose expert knowledge is almost universal. That explains why the criticism of a society's meetings is so strikingly expert criticism, but there is a further reason why the co-operative democracy is peculiarly capable in this respect. The members at a co-operative business meeting are mainly working-class men and women, though there will always be a small number of clerks, tradesmen, and middle-class persons. The working-class man is in nine cases out of ten an expert in some productive branch of industry; his wife, who has to bring up a family on anything from twenty to forty shillings a week, is necessarily an expert in consumption. This undoubtedly accounts for the industrial success of the movement. If the society runs a bakery, there will always be one of two men in the body of the meeting who know the baking trade from the inside, and will not be sparing in expert criticism. If the society is building a new shop or workshop, there will be several members who are themselves joiners, carpenters, or builders who will examine and criticize the work from the point of view of the skilled worker. On the other hand, the women

co-operators, who in many societies greatly outnumber the men, and whose voices are frequently now heard at meetings, supply a no less important kind of knowledge. They are experts in the science of the quality and prices of goods, and it is because they can at meetings bring their knowledge and wishes directly to bear upon the organization of industry, that the claim of Co-operation to produce goods for use and not for profit is in practice justified.

It is then a gross exaggeration to claim the movement as a proof of democracy's failure, and to deny it democratic spirit. That spirit most distinctly exists, and makes the industrial operations of co-operators quite unlike those of any other bodies. It is true that the great majority of members are apathetic and take no part in the management of their societies. But such apathy is a characteristic not of co-operators and democrats, but of human beings. It is as noticeable in the House of Lords as in a co-operative society. In fact, the interest in co-operative affairs is probably widerspread among co-operators than a similar interest in their common objects among other communities. Thus it is certain that the proportion of members taking an active share in the work of the movement is far larger than would be the proportion of citizens taking a part in municipal or even state government.

If the amount of interest which a community takes in its own affairs is important, the quality of that interest is still more so. The kind of spirit in which the co-operative democracy endeavours to carry on industry cannot be deduced from a study of co-operative economics and organization in books, but from the actions of the co-operators and their discussions at meetings. Here again the frequent complaint of writers on the subject that the " material " side of Co-operation, the dividend, alone rouses real interest distorts the facts. The statement that " the most favourite subject of discussion at meetings seems to be the amount of the dividend " may be true, but only in the sense that more members probably attend when a fall in the dividend is necessary. The subjects which ordinarily take up the time and are discussed with keenest interest are two—the quality and prices of goods and the treatment of the society's employees. And that shows that the rank and file of co-operators who are not apathetic, are taking precisely that kind of interest in co-operative industry which will make the control of it really democratic. When they exercise their influence over the prices and quality of the goods produced, they are performing two important functions. In the first place,

in the most direct manner possible their action makes for efficient industry. Their criticisms and votes are directed, as consumers, mainly against high prices and for good quality; and the most efficient organization of industry would produce the best quality of goods with the greatest economy. No other method of industrial organization provides a direct incentive to these two kinds of efficiency combined in the same way. Thus the private manufacturer has the direct incentive of private interest to keep down working expenses, and therefore generally to efficiency of that kind; but he has only an indirect incentive to the other side of efficiency, namely the production of good quality, in the fear that he may lose his customers if he falls below the standard of his trade rivals. The only way in which the consumer can influence the private manufacturer or supplier is by not purchasing his goods, he has no means, as the co-operator has in his society, of bringing directly to his notice and with authority the kind of goods which he wants. But the co-operator can and does go to his meetings and say to his committee: "I will have goods of this kind and of this quality." In other words, we find that here again in practice and in spirit, as before we showed in theory and machinery, the co-operative system ensures that the main purpose of industry is to supply things required *for use* by the community.

The second manifestation of the spirit of the co-operative democracy is its interest in questions affecting the treatment of employees. The whole question is most closely connected with the subject of the following chapter, and I therefore propose here to say very little about it. The personal experience of the writer would lead to the conclusion that no questions arouse such interest at meetings as those relating to employment. The action of the committee is being continually discussed with regard to wages, hours, and conditions of employment, dismissals, the engaging of non-Union labour. In all these discussions it is assumed as an axiom that the society is bound to guard the interests of those who work for its wages as effectually as it does its own interests. The hypercritical and embittered Syndicalist and Trade Unionist will probably deny that this assumption is acted up to, and there are, as will be shown later, strong and natural forces which work in the opposite direction. But no unbiased person can really deny that the movement, at present containing a large majority of wage-earners, is on the side of Labour; and that in so far as it does take an interest in its own industrial operations, it gives the greater portion of its attention to the conditions of the

persons who are employed by it. The whole attitude of the co-operator employer is different from that of the shareholder in a joint-stock company, or even from that of the best capitalist employer. The facts upon which these assertions are based will be given in Chapter IV; but it should be noted that if this view is borne out by the facts, it has a most important bearing upon the future of Co-operation as a democratic system of industry. The democratic spirit, as we have shown, working through the democratic machinery of the movement, does make for the real industrial efficiency, and if the same spirit even now manifests itself—when after all Co-operation has still to fight its way through a world of capitalists—in a genuine desire and determination to meet that "chronic and deep-seated dissatisfaction" of Labour which we noted in the first chapter, then we can at least hope that the movement, as it develops and broadens that spirit, may provide a system which combines efficiency, as an industrial machine, with the well-being and satisfaction of the human beings who, as workers, form part of the machinery.

We cannot, however, leave this subject of the democracy of the movement without saying something more about the circumstances which obstruct and threaten its future. Some of them are only particular instances of the dangers which hang over all democracies, but others are peculiar to Co-operation or to the application of democratic control to industry. In the first place co-operators have always laboured under the handicap of poverty and overwork. The movement started in the poorest strata of society at a time when industrial organization and economic and political theories had combined to make the conditions of those strata worse than they had ever been before or have ever been since. The fact that it was only with the utmost difficulty that the working men could raise the few pounds necessary to start the early societies proves this: but any one who wishes to understand in detail the conditions of these men's lives, and the tremendous difficulties with which they had to contend, must refer to the historical and economic works or to the numerous histories of individual co-operative societies which have been published. The conditions of the workers' lives had and still have a great and a retarding influence upon the development of the co-operative system. Extreme poverty, lack of education, and inordinately long hours of heavy physical labour do not make it easy for the democratic spirit to operate however strong it may be. The private and capitalist businesses are almost always the care and concern

of men especially educated for their task, who give the whole of their working lives to performing it. The vast and complicated industry of the movement has been built up by men and women who have been able only to spare a few hours for it in the evenings after long days of manual labour. The wonder is not that the rank and file of the democracy have been apathetic towards the control of its affairs, but that, in the face of these difficulties, the participation of the members in the work of the societies and movement has been so wide.

These peculiar difficulties, which resulted from the fact that Co-operation started among a particular class, persist to the present day. It is true that co-operators no longer belong to that class which suffers the extremities of poverty. Trade Unionism, Legislation, and Co-operation itself have led to the growth within the wage-earning class of a stratum in which "good wages" and regular employment raise the workers just above the level or danger of chronic destitution. It is to this stratum that members of co-operative societies generally belong. But the peculiar handicap of their class remains, though it may differ in degree. Modern industry is a most complicated mechanism when conducted on a large scale. Even to understand and criticize intelligently the balance sheet of a co-operative society requires a general education and technical knowledge which no one has acquired who leaves school to enter a factory or workshop at the age usual among working-class people. The working men or women who desire to take an intelligent part in the affairs of their society have therefore to educate themselves. But it is not every one who has either the will or the power to spend their evenings in self-education, or the management of an industrial concern, after a day of nine hours spent in the factory or in heavy domestic duties.

These circumstances make the industrial democracy of the movement peculiarly vulnerable to the diseases which attack all democracies. The greatest and most dangerous of these is bureaucracy. Wherever democratic principles are applied to any department of human affairs, the will of the people has to be carried out in detail by an executive, a more or less permanent body of people whose duty it is to execute the people's will. It clearly depends to a very great extent upon the desire and ability of the people to understand the affairs with which the executive deal, as to whether the executive will be sufficiently controlled. And if they are not controlled, experience shows that a democracy collapses into bureaucracy. In other words, the actions of the executive are not determined by the

will or even the interests of the democracy, but by the irresponsible decisions or by the interest of the permanent officials.

The movement has not escaped the development of a bureaucracy. This has been due, partly to the circumstances described above, and partly to the fact that the field of industry is peculiarly favourable to its growth. The carrying on of a complicated system of trade and manufacture involves the making daily of a great number and variety of decisions. These decisions have to be taken instantly in the Co-operative Movement by the management committee, the officials, or the employees. To find any broad principle of policy in this mass of details and to follow it is difficult, and it is only by insisting upon such broad principles that the democracy can really interfere in the transaction of business. It follows that the individual co-operator and the community of individual co-operators find themselves separated by an impenetrable barrier of officials and employees from the actual transaction of business, while their ability to influence the actions of their executive officers is limited. This is true even of the retail society, but it is much more noticeable in the Wholesale Society. The unit of organization in the C.W.S. is the retail society, and the general meeting is composed of delegates of societies. The connection between the individual co-operator and the directors of the C.W.S. is therefore even more remote than that between the individual co-operator and the executive of the retail society. The result is that the sense of responsibility for the action and policy of the C.W.S. is felt with difficulty by the individual, and therefore that the power and actions of the directors become more and more irresponsible. Moreover, the growth of trade and manufacture in the C.W.S. has inevitably led to the directors gaining a unique and a particularly strong position in the movement. Unlike the management committee-men of retail societies, they are obliged to devote themselves entirely to the work of the C.W.S., and they are paid an annual salary of £400. Though nominally elected for two years, they are almost always re-elected, so that their appointment is in practice permanent. The directors have in consequence become a small, efficient, expert body, loyally and honestly pursuing what it considers to be the interest of the Wholesale Society and the movement, but sometimes impatient towards criticism and " interference " from the rank and file of the movement.

Bureaucracies are either honest or dishonest. A dishonest bureaucracy pursues its own interest quite apart from those

of the people whom it ought to represent; an honest bureaucracy really makes for what it considers to be the interests of the democracy, but is impatient of any attempt on the part of the democracy to decide for itself what those interests are. The co-operative bureaucracy is a thoroughly honest one, but its tendency is to take an over-cautious view of the object and future of the movement. It is elected and appointed to carry on the everyday work of trade and manufacture in a world of fiercely competitive industry. Its first duty is to keep the societies industrially or financially sound; otherwise the movement with all its possibilities and ideals would fade away into Utopia and the hands of the Official Receiver. It is immersed in the details of trade, which under any system of industry are of the utmost importance, but which tend to obscure the real value of industry for the community.

The results are twofold. In the first place an official body of this kind naturally tends to regard most questions from the "material" or trade point of view, and to assume that the interests of the community are to be found in its balance sheets. This produces inevitably the profit-making attitude of mind even though the co-operative system may make profit-making impossible. To the management committee and the director the important thing is to have their "receipts" more than their "payments," and be able to inform their constituents at the end of each half-year that they have a substantial sum available for dividend. And a second result of this is that they are conservative, and inclined to be frightened by movements in the rank and file which, taking a broader view of the end of industry, would not allow the interests of trade to obscure other interests. The business man hates change of all kind and mistrusts principles, and the co-operative reformer is too often met with the official charge of being an idealist, and with the official criticism: "Your proposal is all very beautiful, but it's not business."

The driving power of the democratic element in the movement is at the present time not sufficiently strong to combat this bureaucratic tendency of the officials. But it is not true that there are no hopeful signs for the future. In practically every society it is possible to find a nucleus of members imbued with democratic and reforming zeal who are fully alive to and fight against the tendency. Moreover, a recent incident, which will have to be referred to again in the next chapter, showed the whole co-operative democracy insisting upon a most important course of action against the wishes and recommendations

of their most powerful officials, the directors of the C.W.S. The Women's Co-operative Guild, an organization of about 30,000 women who are members of co-operative societies, had agitated for a scale of minimum wages to be paid to all women co-operative employees. The scale was at the time a high one, for under it no adult woman worker could be employed on any work for a wage of less than 17s. a week, while, it must be remembered, the minimum rates adopted by some Trade Boards resulted in women earning less than 12s. a week. The Guild, after getting the scale adopted by a number of societies, started upon a campaign to secure its introduction into the C.W.S., which employs over 7,000 women and girls. But they were met with opposition by the directors, who asked societies to leave the question of wages paid to factory workers in their hands, as there was difficulty in introducing the scale in the productive departments. The argument was freely used that the existing priees of some articles did not admit of such a high rate of wages.

It will be seen that the question was a remarkably good test of the co-operative democracy, and of whether it was in fact overshadowed by a co-operative bureaucracy. As working-class people, co-operators were pledged to the principle that every worker is entitled by right to a living wage. On the other hand, the directors were using against them an argument which was calculated to appeal to their immediate and material interests as co-operators. But the Guild succeeded in rousing the spirit, and appealing to the principles of the democracy. The whole question was submitted to be voted upon by the delegates at a quarterly business meeting in 1913, and against the wishes and recommendations of the directors the delegates voted for the adoption of the minimum scale.

The co-operative democracy was certainly moved to action over this question of the women's wages, and a salutary check was given to the bureaucratic tendency. It must, however, be admitted that it would be difficult to find another case equally clear and striking.* It is important, therefore, both as regards the future of the movement and for the possibility of its making any radical change in the industrial system of the country, to determine whether any steps can be taken to counter-

* A curious instance of a somewhat similar kind occurred recently. The C.W.S. directors refused to put on the agenda of the quarterly meeting a resolution of the Plymouth Society on the ground that it was a question of management. Societies pressed the question and the resolution was put on the agenda.

act the natural apathy of co-operators and the dangerous power of officials.

There can be no doubt that the movement could do a great deal to further the democratic spirit in two ways, first by education propaganda, and second by organization. Co-operation has always from the earliest times professed to provide not only for the material, but also the spiritual interests of co-operators. Education of members figures upon the programme of most societies, and the movement devotes ov £100,000 annually to educational purposes. It is customary to speak scornfully of co-operators' efforts to live up to this side of their ideals, and it is easy to show that those efforts, such as they are, have not been very successful. But in recent years there have been marked efforts to increase educational work, and an Adviser of Studies for the movement has been appointed by the Co-operative Union: and there can be no doubt that the number of working men and women who directly and indirectly have been enabled, through the movement, to educate themselves is considerable. That, however, does not alter the fact that co-operative education in general has not succeeded in reaching the rank and file or of even inculcating in them any wide appreciation of the principles which underly the co-operative system.

The most obvious cause of this is that the educational side of the movement and the "idealists" suffer from a lack of organization. Hundreds of members join societies every year who have no conception of the principles which have been discussed in the preceding pages, and to whom no one pays the slightest attention after they have joined. But the history of Co-operation from the day of its birth in the enthusiastic mind of Owen to the present time shows that those principles when properly understood have a peculiar appeal to both the intelligence and the imagination of human beings. That this appeal is not made, and therefore that neither the intelligence nor the imagination nor the enthusiasm of the ordinary co-operator is roused, is due to lack of organization. Each society is, so far as its educational work is concerned, too isolated. In many cases it will have an education committee to whom a percentage of the profits is voted. This committee ought to be the body which would utilize those members who are interested in educational work, who have the enthusiasm and the knowledge—and there are many such—to play the part of co-operative missionaries among co-operators themselves. The attempt to do so is made, but only in a scrappy and feeble

manner, because there is no actual authority in the movement which directs and co-ordinates these scattered efforts. The individual committees and the individual enthusiast is left isolated without any direction or advice as to what he can do or where he should begin. It is true that in theory there does exist a central authority of this kind in the Central Education Committee of the Co-operative Union, but for various reasons this body is not in close enough touch with societies, and does not take the initiative sufficiently in co-ordinating activities.

If, then, the rank and file of the movement are to get the real democratic spirit and sense of responsibility, an attempt will have to be made to teach them. They will have to be taught that Co-operation is an experiment and an idea; that it is an experiment in the application of democracy to industry, and not merely a particular way of buying butter and tea; that it stands for an idea which in its own sphere is no less important than the ideas which have produced Magna Charta and the deaths of kings and princes, and for which men have died on battle-fields from Marathon to France and Flanders. The material for this work of teaching exists in the movement, but it cannot be utilized without organization. This is not a book in which it is possible to deal with schemes of reorganization in detail, but it is worthy of remark that in some other countries where co-operators have developed a much more elaborate organization of this kind, real progress has resulted. As in the case of so many of its social and political institutions, the continent of Europe has learnt and adopted the co-operative system from Britain. The German movement is of comparatively recent growth, but its success has been remarkable. It already before the war numbered over 1,500,000 members, and the size of its societies is much greater than that of ours, the Breslau Society for instance, which is the largest in the world, having a membership of about 100,000. But the German, with his natural talent for organization, has attempted, not without success, to engage in co-operative work a far larger proportion of members than is usual in England and Scotland. In some of the German societies an elaborate system of local committees has been established. The area of the society's operations is mapped out into blocks of houses, and each block of about a hundred families is apportioned to the personal supervision of a committee-man. "He has the duty of systematically canvassing them from time to time to urge them all to join the society; of visiting periodically all those among

them who are members in order to hear any complaints, to urge them to increase their purchases and to keep up their interest in the society, and of distributing in their own way, free of cost, the society's fortnightly journal." * The extraordinarily rapid and successful growth of the Hamburg Society has been ascribed to this system which produces a widespread interest among the members in its working. It is easy to see how, in our old established societies, committees of this kind might work in co-operation with the existing education committees, and how, with a central education authority for the whole movement in touch with its local organs and stirring up and directing their activities, there might be spread among co-operators a far more general knowledge of co-operative principles and a recognition of the movement as a living ideal.

The hope that the full spirit of democracy, which is necessarily an ennobling and romantic spirit, may infuse itself into the apparently unimaginative co-operator, and into the unromantic work of buying groceries is not really visionary or ridiculous. It is curious in reading the more detailed records of the movement to notice the power which the system has had, at all times and in all places, of winning the attachment and enthusiasm of those who have understood it. No one can hope to understand either the movement or its social and economic power who does not realize that, behind a certain drab and uninteresting exterior, it has always possessed a peculiar romance for a small band of co-operators who, in each succeeding generation, will be found to be responsible for the real progress of Co-operation. For them Co-operation is at once Religion and Romance, and a photograph of a squalid cottage, in which some Lancashire or Yorkshire society was born forty or fifty years ago, is as inspiring to them as would be a photograph of Shakespeare's house at Stratford or of the Mount of Olives to many middle-class persons of cultured or religious temperament. At the present moment the place in the movement where this spirit of enthusiasm is most obviously present is the Women's Co-operative Guild; and it is significant that the Guild is the one body that has positively and methodically undertaken the work of self-education. This power of romantic appeal in Co-operation is in fact not surprising. If the account given in the preceding chapters is correct, the appeal really

* Report of the Fabian Research Department on the Co-operative Movement

comes from those principles of democracy which lie behind the co-operative system, and which to most men are just as compelling and inspiring when applied to industry as when applied by a Milton or a Garibaldi to other parts of the affairs of men.

CHAPTER IV

LABOUR AND THE MOVEMENT

WE have several times in the preceding pages had to refer to the fact that the co-operative is a working-class movement. By this we do not mean that Co-operation is a class movement in the same way that Trade Unionism or Syndicalism is a class movement. In the triumph of Syndicalism the world would see a victory of one class over another class ; but the triumph of Co-operation would have nothing to do with class antagonisms or class victories ; it would, in fact, as this book is endeavouring to explain, imply merely a reconciliation of class interests. It is, however, a working-class movement to-day in the sense that it was born and has grown up in that class, and that it still principally exists among and appeals to the wage-earners. Co-operation, as we have seen, takes the community and organizes it for industrial purposes as a democracy of consumers. But one of the most pressing problems of modern industry is to reconcile the conflict of the interests of Labour with those of employer and consumer, and therefore it is of the first importance to see what Labour's position is and might become under the co-operative system.

Nothing could be more curious or more eloquent of the irony of facts than the story of the relations between the Co-operative Movement and Labour. We saw in an earlier chapter how the original ideals of its founders were that societies should employ their own members. These men were in fact revolting against the wage-earning system, and the ordinary relationship of employer and employed. Thus in the early struggling years of societies most of the necessary work of buying and selling was performed gratuitously by the members in the evening after their own day's work was done. But very soon, as societies grew in size and importance, the stores had to be kept open all day ; and therefore assistants, and later managers and accountants, had to be engaged. Later again when co-operators turned

their attention to manufacture, the employment of factory workers became necessary. This process, and the inevitable results of it, were not at the time realized by co-operators, and it is only in comparatively recent years that events have forced upon their notice the existence of "Labour Problems" within the movement. Co-operators have now become suddenly alive to the fact that they are themselves very large employers of labour. The English C.W.S. before the war alone had 23,000 employees, and paid annually in salaries and wages no less a sum than one and a half million pounds, while the whole movement employed about 135,000 men and women to whom it paid £8,500,000 a year in salaries and wages.

Here, then, we have the interesting spectacle of some three and a half million working-class people suddenly finding themselves in the position of employers to 135,000 workers. Co-operators have been faced with the labour problem in a double position. In their own lives, and in the factories and shops in which they work, in their traditions and their ideals, they belong to Labour, and take naturally the standpoint of the employed and wage-earner; in the co-operative society and factory, as co-operators, they have been forced to look at the same problems through the eyes of the employer and wage-payer.

The position has been still further complicated by the fact that the growth of the movement into a great organization of working-class consumers has brought it into relations with the other great working-class organization of producers—Trade Unionism. The proportion of trade unionists in the movement is unknown, but it is only natural that a large number of co-operators are trade unionists and vice versa. The result is that the history of Co-operation during the last fifteen or twenty years provides one of the best fields for studying the problems of Labour in an industrial system.

As to the position of Labour in the movement, and the attitude of co-operators towards their employees, the inquirer will immediately be confronted with two opposite pictures. If he takes his impressions from some co-operative sources, he will conclude that Co-operation has solved the problem of Labour, that wages and hours and conditions of employment are so satisfactory in the co-operative store and factory that only those who would never be satisfied with anything would ask for more. On the other hand, if he happens upon a "syndicalist" trade unionist he will learn that the co-operator is no better than the capitalist employer, and that the "hell of the wage-earner" persists under a co-operative no less than under a capitalist system.

There is a certain amount of truth and a certain amount of misrepresentation in both of these pictures. The employee of a society remains a wage-earner; in principle his relation to his working-class employer is precisely the same as it would be towards his employer if he worked in a private shop or factory. The syndicalist, who objects to the *principle* of the wage, is necessarily dissatisfied with the co-operative system. It is also true that it is still possible to find co-operative societies in which the wages paid are disgracefully low, the hours long, and the general conditions unsatisfactory. But if you take the movement as a whole, there cannot be the slightest doubt that the level of conditions of employment within it is higher than it is outside. All over the country co-operative societies will be found to be leading the way in the matter of fair wages and short hours, and this has been true of the movement from the earliest times. It will be sufficient perhaps to give one, but a significant example. In many towns it was the co-operative store which was the first shop to introduce one day "early closing" per week for the benefit of the shop assistants, and this was done years before "early closing" was made legally compulsory. The Bolton Society, for instance, instituted a half-holiday on Tuesdays fifty-four years ago.

It may be argued that to be able to say this is not to be able to say much for the movement as an employer. But its more exacting critics are apt to forget or conveniently to overlook certain facts. The movement is still in the struggling stage of establishing a peculiar system of industry. In doing so it has to compete directly with capitalist businesses. The economic position of its members, who are the heads of working-class families, makes the competition particularly dangerous. The housekeeping allowance of the middle or upper-class lady usually admits of her buying her tea where the flavour is most congenial, the advertisement most alluring, or the shop assistant most polite. But many working-class women are actually obliged to buy their tea and other groceries in the shop where the tea is cheapest. The evil of low wages in fact produces a vicious circle of evil conditions which again and again hampers the efforts of those people who are striving to raise the conditions of employment within the movement. The purchasing power of persons earning twenty to twenty-five shillings a week does not admit, or at least appears to themselves not to admit, of their buying articles in the production and distribution of which a uniform minimum wage of thirty-five to forty shillings is paid. If therefore the Co-operative Movement proceeds very far in

advance of its capitalist competitors in the way of wages and hours, and so in the prices of its productions, it will inevitably see its members, however co-operative and democratic be their spirit, driven by circumstances out of the society and the store into the capitalist shop.

Moreover, the really important point about the actions of co-operators as employers is that the impulse towards improving the position of employees has come not from pressure exerted from without, but from within the movement. As we saw in the last chapter, it is a body of members themselves, that is of the employers, who in so many societies are always agitating for labour reforms in the movement. And the most significant fact is that the attitude of the co-operator employer is absolutely different from that of any other employer, good or bad. The fixing of a 17s. minimum wage for women workers in the C.W.S. is a unique event in the history of Labour, because it fixes a high minimum not for the workers in one trade or occupation or in one locality, but for workers in twenty or thirty or forty different trades and in factories and warehouses from Bristol to Newcastle. The co-operators who voted for this proclaimed the principle that no woman should be employed on any work whatsoever or in any town of England unless she is paid a living wage. The whole impulse to asserting this principle in practice, against the wishes and advice of managers and directors, and against their own apparent interests, came from the Women's Guild, that is to say, from among the employers themselves. And the instance quoted is not a solitary one. Members of societies have on several occasions insisted, against the wishes and recommendations of the Management Committee, upon a rise of wages or bonus being given to employees. Thus since the war both in the Eccles and in the Keighley Societies the members, acting with the Amalgamated Union of Co-operative Employees, have taken action of this kind. No one has ever heard of a body of shareholders in a joint-stock company behaving in this way, insisting upon the *rights* of Labour against the shareholders, and therefore of the payment of a high fixed minimum wage to all employees of the company.

No one will deny that there are very many extremely good private employers who take the greatest interest in the welfare of their employees, pay good wages, and work short hours. It would be possible to name well-known and unknown firms in which the conditions of employment compare favourably with the best conditions in the movement. Yet it would be a great mistake not to recognize frankly that the spirit which

animates these model employers is quite different from that which causes agitation for labour reform among the co-operative employers. The relation of the former to his employees is always one of paternal goodwill and authority; he "looks after" the welfare of his workers much in the same way as in the fading past the squire and his lady looked after the welfare of the village which was appended to the squire's house. But there is nothing paternal in the relation of the co-operator to those who serve behind his counter or stand at the machines in his factories. The spirit of their relationship is not a class or family spirit, but a social spirit; it is more abstract and impersonal and intellectual; it is in fact democratic. The co-operator who as an employer agitates for a minimum wage or for shorter hours does so because he believes in a principle or idea that is deeply rooted in his traditions; the idea that industry should be carried on in the interests of the community, and that therefore certain "rights" accrue to Labour. The working-class co-operator is not less selfish or less human than the private employer; but his mind is permeated to some extent with the democratic idea, and he is therefore able to regard some questions sometimes from the point of view of the community rather than from the point of view of his own interests or feelings or position.

The manifestations of this kind of spirit towards labour problems may be rare in the movement, but they exist, and cannot be simply disregarded in an estimate of the possibilities of a co-operative industrial system. They reveal the existence of a new point of view among employers and of a new relationship between employer and employed. And—though some learned and well-informed persons would disagree with the statement—we believe that this new point of view is even more clearly shown in the attitude of the movement towards Trade Unionism. Trade Unionism may in a sense be regarded as a weapon; it is the weapon of the wage-earning classes organized as producers. It represents the interests of Labour in industry, and by organization and combination uses the collective strength of workers to uphold the interests of the employed against the employer where the interests of employer and employed appear to conflict. It can hardly be denied that historically combination of this kind has proved to be the only solid bulwark of Labour against the lowering of wages and other conditions of employment which inevitably result from competition in an "overstocked labour market." At any rate the important point for our present purpose is that a belief that this is the case is very widely held among wage-earners, and particularly among the better-

paid wage-earners who form the bulk of the co-operative membership.

It is therefore not unnatural that there is in the movement an active and numerous body of members having strong sympathies with Trade Unionism. To explain the effect of these sympathies upon the movement and upon the industrial system for which it stands will require a rather detailed description of the actual relations of the two movements, Co-operation and Trade Unionism. That relationship exists in three different ways. In the first place, co-operators come into contact with the unions in the ordinary way of employers. The co-operative society has to decide whether it will in the shops or factories comply with those conditions as to hours, wages, etc., fixed and demanded by the trade unions to which its employees belong. On the whole, trade-union conditions are very widely accepted throughout the movement. This does not mean of course that there are not individual societies which do not come into collision with unions, or that organized strikes for higher wages or other improved conditions are not known among co-operative employees. But the movement generally differs from all other employers because of the strong and persistent pressure of opinion from within it towards paying scales of wages and conceding union conditions. There are in fact innumerable examples in the history of societies of the spectacle, unknown outside it, of employers not yielding to the weapon of Trade Unionism, but of deliberately using it against themselves. The knowledge of this among trade unionists actually leads sometimes to friction between the two movements. The temptation to use this tendency of the movement as a lever to raise conditions of employment in capitalist firms is too great to be resisted. For instance, a demand will be made first to a society to raise its wages although it may be paying a scale higher than any similar business in the locality. The union making the demand relies upon the co-operators "with trade-union sympathies" insisting upon compliance, and when the scale has been accepted, it can then go to the capitalist firm next door and say: "The co-operative society is paying this scale, so there's no reason why you shouldn't." It is not unnatural that under these circumstances the complaint is sometimes heard among co-operators that they are penalized by trade unionists, *because* they are good employers.

The second way in which the movement comes into contact with the organizations of Labour is still more interesting. Every one knows that a frequent cause of strikes is the refusal of

employers to "recognize" trade unions. The determination and bitterness with which strikes involving the question of recognition are so often fought out are due to the fact that both employers and employed are aware that this question goes to the root of Trade Unionism. The contention of Labour is that it has a moral right to share in determining the conditions of industry, that it can only obtain this share by a complete organization of workers and through the representation of the individual worker by his organization wherever a question arises about the conditions of industry between employer and employed. The refusal of capitalist employers to "recognize" a union proceeds from their unwillingness to admit this theory, which would cut across their own claim to the exclusive control of industry and therefore to the right of determining the conditions of employment.

The greatest proof that the point of view of the co-operator as employer is different from the point of view of the capitalist as employer may be found in the attitude of the movement upon the question of recognition. Among 3,500,000 members and over 1,000 societies it would of course be absurd to expect absolute unanimity; but it is hardly an exaggeration to say that in practice the principle of recognition is accepted as widely in the Co-operative as in the Trade Union Movement.* But the co-operative employer has gone much further than this. A large number of members accept the trade-union contention that the position of Labour in an industrial system can only be safeguarded by a complete organization of Labour. The corollary of their contention is that every worker must join his trade union. Many co-operators hold this opinion, and their number and influence have been such that many societies—and among them are some of the most successful—to-day have a rule that no person shall be employed who is not a member of his or her trade union.

* Relations between the Amalgamated Union of Co-operative Employees and co-operative societies have lately become extremely strained. For this position a certain amount of blame belongs to each side. But a strong body of co-operators, carried away by a sense of grievance, are using the fact that the A.U.C.E. is not a member of the Trade Union Congress to deny that the A.U.C.E. is a trade union and to refuse to recognize it as such. The whole question is complicated by the struggle within the Trade Union Movement of two rival systems of organization. But if the policy of refusing recognition to the A.U.C.E. is persisted in, the statement in the text will require modification, for co-operators will be deliberately sinning against one of the most important principles of Labour, namely, that the employer has no right to dictate to his employees as to which union he must or must not join.

It is impossible to over-estimate the importance of this fact. Here we have the extraordinary phenomenon—extraordinary in the world as we at present know it—of a body of employers compelling its employees to join those organizations the objects of which are to fight for the employees' interests wherever they conflict with those of the employers. We shall have to return to this subject again, when we come to deal with the future of Co-operation and its ability to reconcile the industrial interests of the consumer and the producer. Here it is sufficient to point out that once again this phenomenon is due to the conception which the co-operative employers have of the object of industry. In their eyes the main object of industry is still the production of things required for use by the community. But the exploitation of the industrial worker by one class is just as harmful to the community as the exploitation of the consumer. The only effective method of preventing such exploitation is to provide for a representation of the workers' interests in the industrial system itself. This representation can only be adequate if there is a democratic organization of the workers on the same lines as those upon which the Co-operative Movement provides a democratic organization of consumers. The apparent "tyranny" of compelling a man or woman to join a trade union is in fact only the recognition of a logical necessity and a democratic duty. The compulsion of a man to pay rates which cover the cost of a drainage system is not tyranny; it is the enforcement of a duty to the community, which follows from the fact that he is a live man living among fellow-men in a certain locality. Similarly, the trade-union co-operator argues, the duty of a man to join his trade union is an enforceable duty to the community which follows logically from the fact that the man works at a trade and benefits by gains procured by trade unions.

The third and last way in which Co-operation and Trade Unionism have come into contact is somewhat different from the other two with which we have just dealt. The presence in the movement of a large majority of wage-earners has given it a consciousness that it is a "working-class" movement. Trade Unionism, on the other hand, is essentially and completely a "working-class" movement. The activities of great organized bodies of this kind can never be confined to the narrow and immediate and superficial objects of the organization, because the principles upon which systems like Co-operation and Trade Unionism rest touch the lives of individuals and society at so many different points. Inevitably, therefore, the co-operator and trade unionist find that their political (in the broad sense)

and social ideals are the same, and that in particular cases they are almost always pursuing the same political and social objects. To take a particular instance, all movements of a distinctively Labour complexion are faced with the difficulty due to the lack of education enforced upon working-class people by the conditions of their lives. People who belong to those classes in which education always continues up to the age of eighteen or nineteen, and usually for men up to the age of twenty-two, hardly realize the handicap and the bitter consciousness of handicap which exists among those classes in which the social system continually cuts short education at the age of fourteen or even thirteen. The handicap has been recognized as resulting from the economic pressure of our social system upon the wage-earners, and an attempt has been made to counteract that pressure by making attendance at school compulsory up to a certain age. But the working classes are well aware that the expedient cannot be successful unless the legal age for leaving school is raised. A demand for the "raising of the school-going age" naturally finds support in the Trade Union Movement, while resolutions and agitations in the same sense are passed at congresses of co-operators. The natural result is that a desire has manifested itself among a considerable number of co-operators and trade unionists for a closer and official co-operation between the two movements in their pursuit of education and of the improvement of social conditions.

This desire has in recent years materialized in an attempt to unite the two bodies, by what has been called "the fusion of labour forces." The attempt before the war* failed, and the causes of its failure throw some light upon the position of Co-operation in this country and its future. The actual proposal, made some years ago, was that the *three* working-class organizations, the Co-operative and Trade Union Movements and the Labour Party, should co-operate for educational purposes and for furthering the interests of the working classes generally. Meetings were held between delegates of the central body of the Co-operative Union and of the other two organizations with a view towards framing a joint programme, and everything pointed to the fact that they would succeed. But a not unexpected difficulty soon appeared in very decided opposition to the whole scheme from within the Co-operative Movement. It is a tradition of the English movement that the co-operative society shall be open to all, whatever their creed or their politics, and therefore that the movement shall do nothing to identify itself with any

* For developments since the war, vide Chapter VI.

particular religious or political party. In this, it may be noted, the English co-operators have not been followed by some foreign movements: the Belgian movement, for instance, which before the war was vigorous and successful, was closely united with the Labour or Socialist political party. The proposal, however, for this very mild form of "fusion of forces" was interpreted in England as being an attempt to introduce the thin edge of the wedge of party politics into Co-operation. Its opponents represented that the existence of a joint programme of the movement and the political Labour Party might make Conservatives and Liberals hesitate to join societies, and in any case would probably lead to dissension by introducing political controversies. These arguments were successful, and the discussions and votes at two or three Co-operative Congresses resulted in the scheme being dropped.

Although the attempt at establishing official joint action between the two movements at the time failed,* particular cases of their co-operation have for long existed. Both of them are struggling against Capitalism, the one to prevent its exploitation of the consumer, the other to prevent its exploitation of the worker. In this struggle it is probable that under any circumstances the co-operator can give more aid to the trade unionist than the trade unionist to the co-operator. This has certainly been the case in the past. It is not generally known that the Co-operative Movement came to the rescue of the unions in the great coal strike of 1912. The Northumberland Miners' Union was reduced at one time to the point at which their funds were insufficient to disburse further strike pay. The ordinary bankers refused to lend money to them on any conditions, but the C.W.S. bank, which has an annual turnover of between £150,000,000 and £200,000,000, as soon as it was approached made an advance of £70,000 at 4½ per cent. Other ways in which the Co-operative Movement can and does help the unions in times of industrial disputes were also well shown during the same strike. In the mining districts where the effect was most felt, strikers who were members of co-operative societies were in many cases enabled to draw out not only accumulated capital down to the last shilling, but were also paid an interim divided. When prices rose all

* Events during the war have resulted in a reversal of this decision, vide Chapter VI. Owing to the action of the Swansea Congress, May 1917, and the Special Conference, October 1917, there has been established a United Advisory Council of Trade Unionists and Co-operators. The statement of objects of this Council, as adopted at the Special Conference, are printed as an appendix to this chapter.

over the country, societies again and again refused to follow the example of private firms, and in many cases even reduced prices in order to relieve the distress in the families of strikers: at Ashington, a mining village in Northumberland, the society actually made a 12 per cent. all round reduction in prices. At the same time the C.W.S.'s banking department stood behind the individual societies, and enabled them to pursue this policy by allowing them overdrafts. Another case in which the C.W.S. rendered great assistance to Trade Unionism during a dispute was during the Dublin strike, by sending food supplies to the strikers who were in danger of being starved out; but in that case the details were widely known and reported in the newspapers.

We have now given a general account from which, it is hoped, the reader may gain some knowledge of the existing relationship between co-operators and trade unionists; and in doing so we have given particular instances of friction and co-operation. This account has been by no means exhaustive, and there are other bonds of relationship which will be dealt with in the remainder of this chapter. For we now have to consider the wider and more difficult question whether the movement gives any sign of furnishing in the future a solution of those Labour problems which have arisen from the position of the wage-earning workers in industry.

These problems are primarily due, as we saw, to the dissatisfaction of the worker with that position. This dissatisfaction is centred in the fact that the worker has little or no part in the control of industry, and therefore in determining the conditions of his employment; in other words, the organization of industry makes no provision for the interests of the worker receiving their proper weight and consideration where they conflict with the interests of other classes, whether capitalists, employers, or consumers. It may therefore be predicted with certainty that no system will solve these problems which does not provide first for a share of the worker in the control of industry, and secondly for means of reconciling the interests of different classes where they conflict.

These two problems cannot really be dissociated in practice. There will always be a conflict of interests between consumers and producers to some extent, and at some points in the industrial system; a reconciliation of interests must therefore be in the nature of a compromise, unless one class is to be handed over to the tender mercies of the other. But the most obvious and simple way of obtaining a reconciliation of interests through compromise is to aim at a kind of balance of power in industry,

a sharing of its control between consumer and producer. It is in this way, we believe, that the future development of Co-operation may be of such enormous importance because it makes this balance of power between the organized community of consumers (the Co-operative Movement) and the organized community of producers (the Trade Union Movement) possible. In the remainder of this chapter I propose to discuss the signs, favourable and unfavourable, to the growth of this balance of power in the movement of to-day.

It should first be noticed that a certain conception of Co-operation which used to be very common among co-operators, and often still influences their ideas, has considerable bearing upon this question. The old idea of the Co-operative Commonwealth aimed at reconciling conflicting interests through the fact that every man and woman would represent both a producer and a consumer. The ideal was a state of things in which the whole of industry would be carried on under the co-operative system. In such a Co-operative Commonwealth, it was argued, every one would be a co-operator, and so first the workers would be employed by and would therefore be working for themselves, and secondly, as members of their co-operative society, they would share in the control of industry and in determining the conditions of their own employment. This Co-operative Commonwealth has in recent years lost its place in the vision of co-operators, but its influence remains in the use of the argument, often heard in the movement, that the workers by becoming members of a society can and do share in industrial control. As a matter of fact, there was a very solid foundation of truth and wisdom in the conception of a Co-operative Commonwealth; and to realize this, and also its limitations, will carry us some way towards understanding the practical difficulties, by no means insoluble, of reconciling interests under the co-operative system.

An ardent trade unionist, an employee of a co-operative society, once said to the writer: "Of course there's a difference between the relations of an employee to a capitalist employer and those of an employee to a co-operative employer. The object of the first is to smash his employer, for the only way to argue with capitalism is to knock it on the head. But practically no co-operative employee wants to smash co-operation; it's almost as much in the interests of the employee to spread Co-operation as it is in the interests of the co-operator." These are strong words, but they show that the Co-operative Commonwealth was not altogether a dream. The difference in the relations noticed by the trade unionist is due solely to the fact that the

co-operative employee feels that, in a broad sense, his interests as a worker will be protected by the workers who are members of the society. That is the practical value of the democratic constitution which we examined in the last chapter. The whole of industry is very far from being co-operative; it will be a long time before the whole community are co-operators: and many co-operative employees are themselves not members of the movement. But the time has already come when the worker can at least feel that his interests are represented by a large body of workers in the membership of every society. There *is* in fact already to some extent a balance of power in the co-operative control of industry. That is why while the relations of Labour to Capital inevitably result in "class warfare," class warfare between co-operators and Labour is inconceivable.

But the balance of power in the membership of societies and the representation of Labour through co-operative membership have limitations, and they are precisely the same limitations which appeared in and to some extent destroyed the idea of the Co-operative Commonwealth. In the first place, the development of co-operative industry has so far been within rather narrow lines. The progress has been confined to what are roughly classed as the distributive trades and the manufacture of food-stuffs, clothing, furniture, and hardware. The major industries of transport, mining, textiles, metal-working, engineering, machine-making, and shipbuilding are untouched by it. The result is that although the membership of the movement is over three and a half millions, the number of co-operative employees is under 150,000; and less than 5 per cent. of the members of societies find employment in the movement. So long, therefore, as the employees form so small a proportion of the members of the movement, it is clear that they, as employees, will never be able to exercise much power within it. Moreover, it is very doubtful whether, even if they were able to do so, we should have found a desirable system of industrial control. For the employee of a co-operative society to exercise control over industry as a member of his society, if it were really part of a system for giving the workers control, would mean that he came to the society's meeting and voted not as a co-operator and consumer, but as a worker and employee. But if the employee in this way obtained power effectively to control the society, the society would in fact no longer be an association of consumers, but would have been changed into an association of producers. In form a consumers' society, in practice it would be a producers' society, and immediately it would become subject to those dangers and

diseases which have made the history of producers' co-operation largely a history of great hopes and repeated failures. In every commercial or industrial undertaking, especially where large numbers of men are employed, there must always be a few persons responsible for saying that this must be done and that must not be done, and always a large number responsible for carrying out the directions of the few. In other words, there must be discipline. Discipline does not, of course, imply absolute power; there is no reason why a method should not be adopted by which those who have to receive orders can appeal against their "superior" to a higher and impartial authority, an authority which represents either both employer and worker or neither. But what makes discipline, and therefore any co-ordinated action of large numbers of men impossible, is where the persons who have to obey orders are themselves the ultimate judges of whether those orders are right or wrong, whether they should or should not be obeyed. It is here that time after time the self-governing workshop and the association of producers have broken down, and it is here too that the co-operative society, over which its own employees really gained control, would come to grief. If the men who during the day in store and factory have to take orders from foremen and managers could, by controlling the quarterly meeting in the evening, sit in judgment upon and themselves give orders to foremen and managers, an impossible state of deadlock would be the only result. It is solely because co-operators have realized the danger of such a system, and from a determination to make it impossible, that many societies have adopted the rule that no employee of a society should hold office.

The second limitation to the growth of a balance of power in the membership of societies, and to the representation of Labour through co-operative membership, operates precisely in the opposite way to that in which the first would operate. Under the system which we have just examined and condemned, the worker would exercise his power by directly controlling that part of the industrial field in which he worked and got employment. Therefore it is often argued that the workers by becoming members of co-operative societies could, if the co-operative system were widely established, protect the interests of workers in industry generally, and the presence of large numbers of wage-earners in the membership would itself always ensure a balance of power between the consumer-employer and the producer-employed. Any one who has read the preceding pages will have seen that this contention is to some extent true in practice even to-day.

The presence of large numbers of wage-earners in the democracy which controls industry in the co-operative society does result in the employee's interests being considered by the employer in a way in which they are not considered under any other system. But this is not enough, and the reason why it is so will show very clearly the practical difficulties to be overcome before the divergent interests in industry are harmonized.

The important question is what does the average employee of a society feel as regards his position in industry, about the conditions of employment, the reward of his labour, and his ability to protect his interests Now what the employee gains from the presence of large numbers of his own class in the democracy which employs him is only a *general* sense of security. He knows that the fact that wage-earners share in the control of that particular field of industry where he works will ensure that the broad principles which he demands will in fact be applied to it The principles of trade-union recognition, of some security of employment, of a living wage, will be admitted and applied. His interests will receive what may be called a general representation, and a general balance of power between the consumer-employer and the producer-employed will be attained.

But the wage-earning class will never find that satisfaction which, after all, it is well to remember, the professional, employing, and to a great extent the salary-earning classes do find in their occupations, unless they also obtain a sense of particular power over the conditions of their employment. It is when in particular cases, in the everyday working of business or factory, the interests of employer and employed clash, that the employed feels how unfair it is for the decision to rest entirely in the hands of the employer The point may be made clearer by an example. The question of good and bad work frequently causes trouble in factories and has resulted in strikes not only without but within the co-operative movement. The dismissal of a workman on the report of a foreman for bad work is in the employer's interest, and the decision rests entirely with the employer. There is no appeal against that decision, and we are so accustomed to the system that to most people this seems a fair and reasonable result. But in practice there is no doubt that to the persons actually concerned, the workers, it seems neither reasonable nor fair. To him in nine cases out of ten it appears that he has no means of getting his side of the case heard, and secondly that he is really being tried by a judge who is also the accuser. And this is not merely the position with regard to questions of good and bad work, it is the same with all particular questions

of conditions of employment, wages, piece rates, hours of labour, and methods of work. In all such cases the despotic power of the employer within the walls of his own factory makes him a judge in his own case, and a judge from whose decision there is no appeal. It is because the employer, whether he be an individual or the state or the democracy of co-operators, has got this despotic power within his own factory or workshop, that there is to-day no balance of power in industry. The idea that the co-operative employee should use his membership of the society in which he is employed to protect his interests as an employee arises from a desire to counteract this despotism. The objection to it is that if successful it would result in no equilibrium, but the absolute power of the employed, and therefore in anarchy.

On the other hand, the presence of workers in the democracy of employers, while it does give a promise of a reconciliation of interests on broad lines, is not enough to provide a reconciliation of interests in particular cases. The men who make soap in the C.W.S. factories, when any particular case arises where their interests conflict or appear to conflict with the consumers of soap who employ them, can hardly feel that they or their interests are at the moment adequately represented because there are a large number of cotton-spinners, miners, or even soap-makers among their consumer-employers And in fact it is self-evident that they are not adequately represented. Modern industry is so elaborate that the interests of one division of workers are rarely the same as and often actually opposed to those of another division. When a particular dispute as to wages or hours of labour or conditions of work or discipline arise in the C.W.S. soap factory, there might be a real conflict of interests between the small body of soap-makers and the large body of other workers who consume soap. What is fatal to the harmonious working of industry is that in its organization no provision is made at all for any direct say of the soap-makers in determining the conditions of their employment. Their only method of action is war. Otherwise, so far as industrial organization is concerned, the power of the employer is absolute, and the experience both of history and of everyday life teaches that no one, whether he be an employer or an emperor, can be safely trusted with absolute power over another whose interests are not identical with his own.

This applies just as much to the co-operative as to the capitalist system of industry. Absolute power is no better for the consumer's than for the capitalist's soul. And it is not really

difficult to see where the remedy would lie. What is required is that in the organization of industry itself there shall be machinery by which the interests of the soap-makers in the soap-making factory are directly represented so that they themselves feel that they have some control over the conditions of their employment. And the machinery for such representation already exists in the trade unions, a machinery which in conjunction with the Co-operative Movement is eminently fitted for the task, but which at present is forced by circumstances to appear simply as an offensive weapon.

The trade union is already recognized in the movement—and to some extent outside it—as the proper representative of the interests of particular classes or workers. The Amalgamated Society of Engineers speaks for the engineers, the Boilermakers' Union for the boilermakers, and the National Union of Railwaymen for railway workers. But in the co-operative and in the capitalist industrial system there is no place within the organization itself for the trade union. The trade union when it represents the interests of a particular body of workers always acts not as part of but as something outside the organization of the workshop, the factory, the store. That is why it has to be used as a weapon. Even in the co-operative soap factory, when a dispute arises between the soap-maker and the employer, although the co-operator recognizes the union as the proper representative of the soap-maker, he does not recognize it as part of the industrial organization of the factory, and therefore as having any voice in the actual decision of the dispute. Within the factory there is only one person, the employer, in this case a corporate personality composed of a number of co-operators, and the power of determining what shall be done rests entirely with them. The relations of the trade union to the co-operator employer becomes therefore immediately those of an opposing force acting from outside; negotiations, instead of being in the nature of a judicial settlement or an attempt to reconcile conflicting interests, resolve themselves into a mere trial of strength, the employer defending and the trade union attacking a privilege or vested interest.

It is by recognizing the trade union *within the organization of industry* as a representative of the particular inter[illegible]ons workers, and by giving a share in the control of the condi[illegible] of their employment to the employed through their trade union, that a real balance of power and a reconciliation of interests in industry can be attained. It is almost impossible to believe that this will happen in the ordinary system of industry. The

objects of industry are too different in the eyes of Capital and Labour to admit of any true partnership in its control. Hence their relations have tended more and more to take on the character of a bitter class-war, and instead of drawing nearer together they have with time drifted farther and farther apart. It is because the organization, the traditions, and the objects of the Co-operative Movement make a true partnership between the consumer-employers and their employed a practical possibility to-day, that the development of the movement in the immediate future deserves far more attention than it has before obtained.

The movement already starts with that enormous advantage of the general balance of power between employer and employed, which it obtains from the presence of large numbers of wage-earners in its membership. It has the further advantage that it recognizes and understands the trade-union standpoint. Only two steps therefore are required in order that a true partnership between co-operators through their societies and their employed through their trade union may be established. The first is the creation of machinery through which, when the interest of the employing societies and the employed appear to conflict, a reconciliation shall be arrived at not by victory and defeat in a trial of strength, but by some process of a judicial nature or by compromise in which the consumer's interests shall be represented by his society and the worker's by his trade union. The second is that in the everyday working of the store or shop the worker shall not feel that he is subject to the arbitrary power of the employer; and this is only possible if the worker, in most cases through his trade union, really does share in regulating the conditions under which the work is carried on.

As regards the first requirement, it is remarkable that there always have been and still are signs that its attainment would not be difficult. From the trade-union side, there have always been a number of employees of the movement who have held that the strike is not a weapon to be used against co-operators, and that the attitude of Labour towards the movement should be in this way different from what it is towards other employers. They have urged the adoption of schemes of conciliation and arbitration. Indeed, the Amalgamated Union of Co-operative Employees, a trade union whose membership, composed exclusively of the employees of co-operative societies, numbers between 70,000 and 75,000, in its early days contained no provisions at all for taking action by strikes, surely a unique fact in the history of Trade Unionism. It was only in order to protect itself from a charge by other unionists that it was not

a trade union at all that it altered its rules and made it possible to take militant action. It is true that in recent years the policy of this union has become more and more militant, and several strikes have taken place against societies; but this has not happened without opposition from within the union, and the position has been complicated by the peculiar position of this union in the Trade Union world.

One of the reasons which has led to friction between the societies and their employees is that for years machinery has existed which was designed deliberately to fulfil the object of giving the workers representation when disputes arose, and of reconciling diverging interests, but the machinery has never commended itself to the employees and has therefore never been properly used. There is a Joint Committee of the Co-operative Union and of the Trade Unions' Congress Parliamentary Committee, and the rules and regulations agreed upon by those two bodies provide that all disputes shall in the first instance be submitted to the arbitration of this committee. Thus in effect the whole body of co-operators and trade unionists have agreed that the strike shall not be used in disputes between co-operators and their employees, but disputes shall be settled by a judicial decision of a body in which the consumer-employer and the worker have equal representation. This, if effective, would be a long step towards the partnership of consumer and worker and towards the balance of power for which we are looking. Unfortunately it has not been effective, and the machinery has not been used. The reasons why this has been the case are interesting, but they are concerned with the internal organization of the Trade Union Movement rather than with Co-operation, and to explain them fully would take us too far from our subject. It must be sufficient here to say that the co-operative employee does not consider that the Parliamentary Committee of the Trade Unions' Congress can adequately represent his interests. The Amalgamated Union of Co-operative Employees, a union whose adhesion to any scheme is obviously of the first importance, has always objected to the constitution of the Joint Committee, and has demanded that it shall be disbanded on the ground that it involves compulsory arbitration. Its value has lately been still further impaired by the fact that the A.U.C.E f has ceased to be a member of the Trade Unions' Congress.

But with the failure of the Joint Committee of trade unionists and co-operators there have appeared more promising possibilities of conciliatory machinery developing. A scheme for the establishment of Conciliation Boards has recently been

approved both by the A.U.C.E. and by the Co-operative Union. Boards are now at work composed of an equal number of representatives from societies' committees on the one hand, and of co-operative employees on the other, to which questions relating to wages, hours, and conditions of labour may be referred. In the first instance, when such questions arise, they are dealt with by the union representatives of the employees and the management representatives of the society concerned. If no agreement is reached, the matter goes to a District Conciliation Board, consisting of eight members, four elected by societies and the Sectional Boards of the Co-operative Union, and four by the A.U.C.E. If the District Board is unable to agree, the question can then be referred to a National Conciliation Board, consisting of five members elected through the Co-operative Union, five from the A.U.C.E., and an independent chairman either agreed upon by both parties or appointed by the Board of Trade. If the National Board cannot effect a settlement, the independent chairman will then give a decision upon the points in dispute, and this decision will be binding upon both parties. In 1916 seven cases of dispute were submitted to these Conciliation Boards. In five of these cases the District Board effected a settlement. The National Board settled one case, and the other was referred to an arbitration.

It will be seen that a scheme of this kind, if successfully worked out and developed, would constitute a remarkable advance in industrial organization. It establishes a real partnership between the democracy of consumer-employers and the workers employed by them, for it provides that each party shall have equal representation in determining wages, hours, and conditions of Labour, and those conditions of industry in which the interests of labour are peculiarly involved. It would go a long way towards making the exploitation of any small class of workers by the consumer impossible, for it does establish a balance of power between the small body of workers and the large body of consumers, precisely where that balance of power is needed. Further, it makes a reconciliation of interests possible where they are opposed by recognizing from the first the worker's right to equality of representation, and by giving him and his organizations a definite and assured position within the industrial organization. With that right and position assured to it, the trade union would cease to feel and act as if its entire duty was to attack the industrial machine from outside ; it would begin to perform its true function, which is to represent the interests of the worker in a partnership, the object of which is the production of goods for the community

to consume. Lastly it provides that in those cases in which a realization of interests cannot be attained by equal representation, and where the balance of power results merely in a deadlock, the question shall be settled by a form of judicial decision or independent arbitration.

But the scheme is capable of still greater development. If these District and National Boards are once firmly established, we shall have in existence permanent bodies, in which employers and employed are represented, capable not only of dealing with particular questions in dispute, but with the general conditions of employment under co-operative industry. It would, for instance, be a very small step forward if the District Boards were given the power of fixing the rates of wages in co-operative societies in the particular districts, and if they periodically revised those rates. That such a system is not Utopian is shown by the fact that the Consumers' Co-operative Movement in Germany, which owes its existence entirely to the English movement, has already developed a very similar system. The German movement as represented by societies adhering to the Zentral Verband or Central Union was before the war making enormous strides, and there is every reason to believe that it will soon rival the English movement in numbers of members and industrial activity. In 1913 its membership was over 1,600,000 and the number of its societies over 1,150. In 1906 it established the *Tarifamt** or Central Wages Board, which is composed of an equal number of representatives of the Union of Co-operative Societies and of the principal trade unions. Largely through the activities of this Board, in many cases there are national collective agreements, regulating all the conditions of employment, between the most important trade unions and co-operative societies. The position of this Board may also be understood from the facts that differences as to the interpretation of such agreements are referred to it for settlement, and every employee has the right to appeal directly to it.

The English system of National and District Boards has, however, a great superiority in one important point over the German.† The weakness of the *Tarifamt* is that it has no power

* For a full account of the *Tarifamt*, see the Draft Report of the Committee of the Fabian Research Department, Chapter III (*e*).

† It should be added that a scheme is at present under consideration by the Co-operative Union for setting up "Hours and Wages Boards." These Boards, however, would be representative only of the management committees of co-operative societies, and while possibly useful machinery for helping to settle disputes, will hardly fulfil the function which I have here in mind.

to bind a society, because the individual society is not directly represented upon it. Now that the District and National Boards are established, however, we have bodies composed of employers and employed whose decisions are binding upon societies because they are directly represented on them. These bodies will, of course, begin by considering only questions in which the diverging interests have actually led to dispute: but the transition would be natural and easy to permanent bodies fixing formal rates of wages, hours, and conditions of employment for districts or even for the whole movement. And the direct representation of societies and unions upon these Boards will make this possible even if in the future the absolute autonomy of the co-operative society within the movement is retained. But as we shall see in the next chapter, if the wishes of some co-operators are fulfilled, the individual societies will merge their autonomy in one immense co-operative society which will include all the stores and the Wholesale Society, and will be co-extensive with the movement itself. If this takes place, the existence of these Joint Boards representing the co-operative employers and employees will be of the very greatest importance, for the District Board could then deal with all industrial questions affecting the interests of the consumer-employer and his employees within the district, while the National Board could deal with similar but wider questions affecting the whole Co-operative Movement. Throughout his vast complicated industrial system the co-operator would therefore have provided in these Boards machinery by which he and his employees would together determine what the general conditions of employment, the wages, and the hours should be in a co-operative industry.

There were, we said, two steps required for the establishment of a true partnership between co-operators and their employees. The first was the creation of machinery through which a reconciliation of conflicting interests shall be effected either by compromise or by process of a judicial nature. It is clear that the movement by the creation of District and National Conciliation Boards is on the road to taking this first step. The second requirement was that the worker should feel in the everyday life of his factory and store that he was not subject to a purely arbitrary power, but that he himself shared in the regulation of the conditions under which he worked. To some extent, if the District Boards* developed along the lines indicated, they

* It should be added that it is essential, if the Boards are to fulfil their proper functions, for provision to be made for women always to be represented on them. This is not provided for in the existing scheme.

would meet this second requirement. If the employee had the right of direct appeal to the District Board upon which his trade-union representatives were on absolutely equal terms with the employing society, he could hardly feel that he was subject to the purely arbitrary power of his employer. But it is doubtful whether this is enough, whether, that is to say, the link between a body like a Central Wages Board, or a District Conciliation Board and the individual worker and his place and work in the factory, is sufficiently close to allow the individual worker to satisfy through it his natural and legitimate desire to feel himself something more than an inanimate machine in the daily round of labour. Industry will always remain a dark spot upon the map of civilization, and it will always be the seed-bed of class hatred and warfare, until the industrial worker is given the same sense of personal power, responsibility, and pride in his occupation which is common among persons of other occupations. And this will never be attained unless the worker has a personal share in controlling the conditions of his daily work.

The problem of course is to give him this share without breaking down that discipline which is necessary wherever operations require the giving and the carrying out of orders by human beings. It must be confessed that the British Co-operative Movement has contributed practically nothing to the solution of this problem, and this is both a curious and an unfortunate fact, because no more favourable field for experiment could have been found than one in which the employers so well understand and sympathize with the feelings of the employed. Some non-co-operative firms in England and some foreign co-operators have, however, shown along what lines success is possible. In Germany, "in the larger societies the employees elect a workshop committee, or one for each of the principal departments, and these committees have not only the right to lay any complaint before the *Vorstand*, but have also, in some cases, been given a definite right to be consulted before any alterations in the conditions of employment are made."* Another type of workshop committee which should be capable of great development, if applied to co-operative industry, is that adopted in some British capitalist factories: it is formed of an equal number of representatives appointed by the management or employer and elected by the employees. All kinds of questions involving the conditions of employment and alterations in methods of work come before these committees.

* Fabian Research Department Report. The Swiss Co-operative Movement also provides a good example of Workshop Committees, see *Labour Year Book*, page 245.

There is an immense scope for committees of this kind in the co-operative movement, and particularly in the Wholesale Societies' factories. They should have the right to consider all questions of conditions of employment, and through them the employer and employed could work out together the best and most efficient methods of production. In important cases in which these committees were unable to effect an agreement, they might be given the right to refer the question to the Conciliation Board. In this way the employee would obtain a real share in the control of industry without the necessary discipline being impaired.

No one with any knowledge of industrial conditions can doubt that the questions which we have just been considering are becoming yearly of more and more importance, both to the community as a whole and to that class of it, Labour, which is peculiarly concerned. The war has only made more obvious the fact, patent before to any observer, but to a large extent ignored by Labour, that the conditions of industry have, in recent years, been undergoing a revolution no less drastic than that which brought the change from the hand-loom to the power-loom. The perfection of machinery is leading to the disappearance of the skilled workman or the artisan, and the substitution for him of semi-skilled or unskilled labour. At the same time those new industrial methods, the tendencies of which are best seen in the scientific management and the efficiency engineers of America, result in a minute sub-division of labour which requires that the individual worker is more and more reduced to a machine, continually repeating at high speed a few simple movements.

Now whatever be one's opinion as to the goodness or badness of this revolution, it cannot alter certain existing facts. In the first place, the methods of scientific management do lead to an enormous increase of industrial efficiency measured by the output per man or per machine. Efficiency engineers have been able, by studying the movements necessary in industrial operations, by teaching workers to eliminate unnecessary movements, by minute subdivision of labour, by using bonuses as incentives in order to increase speed or the output of bricklayers, messenger boys, pig-iron handlers, and almost every class of man or woman worker by one hundred, two hundred, or even three hundred per cent. But this can as a rule only be attained if the industrial worker delivers himself over entirely into the hands of the management or employer, who directs his every movement and converts him into a human machine or a human extension

of the inanimate machines. This explains the bitter hostility of Labour to the new methods, for it is natural that, so long as industry is regarded as, merely, a battlefield in class warfare, the worker will see in them only one more method of "speeding up" and of increasing the employer's profits.

The new methods in fact only emphasize the deadlock to which the ordinary industrial system is leading. They cannot be worked successfully unless the workers give their full co-operation to them. Used as a weapon of one class against the other, they can produce nothing but unmixed evil for the community, used for the benefit of the community in a genuine partnership of the workers and other classes, they might by increasing the efficiency of industry make the Utopias dreamed by dreamers into solid facts. It is impossible to think of any place in the world of industry to-day in which such a partnership is possible except in the Co-operative Movement. If co-operative workshop committees, formed of the workers themselves and the consumer-employer, devoted themselves to the study of these new methods and generally to working out the most efficient methods of industrial production, the objections to them from the workers' point of view should vanish, because they could protect themselves against the danger of excessive speeding-up and exploitation. Such a system would also go some way towards counteracting the evil tendency of modern industry to reduce the worker to a machine and to destroy his initiative: for the voluntary adoption by the workers themselves of new methods, because they are convinced of and understand their efficiency, is very different in its effect upon them and their work from the unwelcome imposition of rules by some taskmaster in the form of an "efficiency engineer" or a foreman. Moreover, through the workshop committee and the Conciliation Board the workers would be able to see that their fair share in the economies of production, which resulted from the increased industrial efficiency, came to them in the form either of increased wages or shorter hours.

We have in this chapter now completed the detailed consideration of Labour's position under the co-operative industrial system. We have seen how the history, traditions, and constitution of the movement already give Labour a unique position in the system. The mere fact that the Movement is a democracy ensures that Labour at least will share in the control of industry as part of the democracy, and establishes a partial balance of power between the industrial workers and other classes. But, in order fully to reconcile the interests in industry of the workers and the rest

of the community, we found that something more was needed, a real partnership between the workers and consumers. Such a partnership does not exist to-day, but we have seen that there are far more hopeful signs of it developing under Co-operation than anywhere else. The partnership, the germs of which are already visible in the movement, would be one between the consumer and the producer. *A priori* it might be said that a partnership of that kind would satisfy the conditions of a rational system of industry. The interests of the community in industry are those of a community of consumers—which is only another way of saying that the main interests of the community in industry is that it should produce what the community needs. That would seem therefore fundamentally to be a rational industrial organization under which the democracy of consumers, representing the community, appeared as the employer and determined what should be produced. Thus we should obtain the result, which is characteristic of the co-operative system, production for use not for profits. But in modern industry it is not only the class of consumers, co-extensive with the community, whose interests are involved. There is another class, that of the industrial worker, which forms only part of the community, but which in the nature of things has extensive and peculiar interests in industry. The possibility of the interests of this class or of particular sections of it being sacrificed to the interests of the community of consumers is obvious. And a system of industrial organization which gave special representation to the producers' interests and so established a partnership between the community of consumers and that section of it engaged in industrial production, would, one might hope, obviate the danger of this possibility.

There is one other point which deserves mention before leaving this subject of co-operators and their employees. Those who know the history of the movement will perhaps have been surprised that in all that we have said about an industrial system, the pivot of which would be a partnership between consumer and producer, no reference has been made to the fact that a school of co-operators has existed almost from the first who, both in theory and in practice, professed to have achieved exactly that partnership. The fiercest domestic battles have been fought within the movement upon the question of what is known as the Bonus to Labour. The view of industry as a democratic partnership between the consumer-employer and the producer-employed has, as we have seen, always been in a general and vague sense accepted by co-operators. It was, and is still, to

some extent, common to regard industrial operations as producing not so much commodities for consumption or use, as a surplus of value or utility, which can be measured in money as the difference between the cost of production and the selling price. This surplus may further be identified as the " profits " which under a capitalist system are taken by Capital, and the " profits " which under a co-operative system come through the dividend upon purchase to the consumer. To many persons, holding this rather crude economic theory, the main problem of industry appeared to be: what class of the community can rightly claim this surplus ? It was natural, therefore, that when the theory was held by co-operators, who also believed in a partnership between Labour and the consumer, they considered it vital to such a partnership that the consumer and the producer should share equally in that surplus.

It was this conception of industry and economic theory which gave rise to the bonus. Many societies paid the bonus on wages, and even to-day any one who examines the returns furnished by the Co-operative Union will find a column reserved for the entry of the amount paid by each society to its employees, though it is true that the column is almost always blank. In those societies which do pay it, the " profits " are shared between the members and their employees, the former receiving a dividend of so much in the pound upon the purchases, and the latter a bonus of so much in the pound on their wages. Thus the Scottish Wholesale Society, which was the largest society with this system and only recently gave it up, used to pay a dividend of 8d. in the pound and a bonus of 8d. in the pound. It will be seen that the system is really only Profit-sharing or Co-partnership applied to the movement, but it gave rise to the most violent discussion among co-operators. It was never universally or even very widely adopted among societies, but its adherents always fought strongly for it on the grounds that it was an integral part of the co-operative system as it constituted the partnership between consumer and producer. Into the details of the struggle it is not necessary to enter, because the bonus party's defeat has been so overwhelming that at the present moment, although the net profits of the distributive societies are thirteen and a half million pounds, less than fifty thousand pounds is paid as bonus on wages.

Any one who has followed the arguments in this chapter will probably now understand why no reference was made to the conception of a partnership embodied in the theories of the supporters of the bonus. When they argued that the co-opera-

tor who gave " no share in profits " to the worker was betraying the co-operative faith, they were themselves unconsciously misconceiving the root principle of co-operation. To make the object of co-operative industry the division among consumers and producers of the profits which under the ordinary system of industry are taken by the capitalist, is to throw over that principle which in the modern world is peculiar to Co-operation, and upon the growth of which so much depends, namely, that industry and production should be organized for use, not for the making of profits. Moreover, the whole theory of a partnership of this kind in a " surplus " of wealth created by industrial operations is based upon insufficient knowledge of economics and faulty reasoning. As we have seen, the co-operative dividend and co-operative " profits " may and do in practice consist of a large number of different elements when they are analysed economically. Thus "profits" and dividend may be low in one society and high in another, either because wages are high in the one and low in the other, or because prices are low in the one and high in the other, or because management is bad in the one and good in the other. While co-operative profits *may* contain some of the elements which make up the profits of capitalist industry, e.g. those which are the result of low wages or good management, they do not necessarily do so; for example, the co-operative society which is paying low wages can always elect to sell at low prices, and in that case the low wages which would have swelled the profits of a capitalist firm will not raise the " profits " of the co-operative member although the member will still be the person to benefit by the low wages, i.e. in low prices.

There is in fact in industry no fixed and invariably ascertainable sum of utilities which is created by industry and can be measured in money. Certainly neither the co-operative nor capitalist profits can be identified with such a sum. It follows that it is neither logical nor expedient for Labour to claim to share with the consumer in the co-operative "profits." Whatever Labour gained by such " profit-sharing " could be attained far more rationally and certainly by increased wages. And it is due to a gradual realization of these truths by co-operators and their employees that the bonus system has practically suffered extinction. The ideal of co-operative industry is production for the use of the community. The ideal necessarily implies that the first charge upon such production is the maintenance of the human agents in production, or, in other words, the payment to the workers of a wage sufficient to enable him or her

to maintain a family in health, and to have equal opportunity with other classes of the community of living the fullest and the highest kind of life. Such, after all, is the fundamental demand which lies at the root of all "working-class" philosophies and politics, and that is why it has permeated Co-operation ever since Owen dreamed his communal dreams. But there is no place in such a system for profit-sharing. It is the wage, and the wage alone, which determines the level of subsistence, the quantity and the quality of the life which is the lot of the worker. In any rational industrial system, therefore, the worker must receive his fair share of the products of industry through the wage.

It should also be added that the bonus establishes no real partnership between consumer and producer in the sense in which we have used it in this chapter. The sharing of the employees in the sum, which upon a co-operative society's balance sheet appears as net profits, does not give even the shadow of any control into their hands. The bonus does not therefore touch the main problem of industrial organization. On the other hand, whenever the supporters of the bonus have recognized this and have suggested or attempted the giving of some control to the employees on co-partnership lines, they have been faced with an insuperable difficulty. Either the power given to the workers is purely fictitious, and the control remains really in the hands of their employer, or, if the power is genuinely given to the employees, the organization is transformed from an association of consumers to an association of producers or self-governing workshop. In the latter case, the system of industry is open to the objection which we have already considered in this chapter.

APPENDIX

United Advisory Council of Trade Unionists and Co-operators

General Statement of Objects to be Furthered and Attained

1. That, having regard to the mutual interests of the Trade Unions and Co-operative Movements, the need for promoting a better understanding, a closer working agreement, the carrying out of a joint programme for educational and practical purposes without in any way interfering with the separate and distinct functions of either constituent body, and the decision of the Co-operative Movement to recognize the trade-union rates of wages and conditions of employment as laid down by the unions affiliated to the Trade Unions Congress, it is incumbent upon all trade unionists to become active members of their local co-operative societies. As those employed in the Co-operative Movement will be guaranteed the trade-union rates of wages and conditions of employment, it is equally incumbent upon co-operative societies to encourage all their employees to become members of their respective trade organizations.

2. The establishment of friendly and cordial relationships between all branches of the Co-operative Movement and their employees, so that all differences as to wages and conditions of service may be mutually and satisfactorily adjusted before any cessation of labour takes place. (The foregoing provisions are not intended to interfere in any way with the work of the existing Joint Committee.)

3. The consideration of how far it is practically possible for the surplus capital of the respective movements to be utilized for the promotion and development of co-operative enterprise, and making of recommendations thereon.

4. The examination of the facilities for banking and insurance now offered by the Co-operative Movement, to see where these can be extended and improved or made more adaptable to working-class requirements, especially with regard to the provision of

facilities through the various co-operative stores in the country, so that cheques presented by trade unions can be honoured in such manner as will best meet the convenience of the trade unions and the co-operative societies.

5. The consideration of how far it is desirable and possible to ensure the unrestricted distribution of food supplies, or the payment of benefit during important trade disputes by issuing through the various branches of the Co-operative Movement food coupons or loans from the Co-operative Wholesale Society's bank on the security of trade-union assets.

6. That not only is it imperative that trade unionists should themselves become members of co-operative societies, but that both husband and wife should become members, and take a joint interest in the progress and development of the society, since both are equally concerned in its well-being, and we recommend that where the present rules prohibit husband and wife from both being members, societies should amend their rules so as to admit of open membership. We also recommend the abolition of the entrance fee.

7. The preparation and distribution of suitable literature with the view of influencing the officials and members of the Trade Union Movement to take a more decided and active interest in Co-operation, and for influencing the officials and members of the Co-operative Movement to become members of their respective trade organizations, and that for the proper carrying out of this object, each should notify the other and ask for support when any meetings are being convened by either body for the purpose of conducting propaganda work.

CHAPTER V

PROBLEMS OF PROGRESS

IN the previous chapters an attempt has been made to show that Co-operation has succeeded in applying democratic principles to the organization of industry, and that this fact opens up possibilities of revolutionizing the industrial system of the country, by converting it into a partnership of the community of consumers and their employees, the producers. Some of the problems of progress, the problems which require solution before such a system can become fully developed and exercise any very great influence upon the whole of society, have already been dealt with. They were chiefly concerned with the internal development of the movement itself, with the growth among co-operators of a deeper and wider understanding of co-operative principles, and with the extension of the machinery of co-operative organization, especially in order to admit Labour the full rights of a partnership. There are, however, a number of other problems connected with the progress of the movement which will have to be considered in this chapter.

We have spoken of "revolutionizing the industrial system of the country." The words are not an exaggeration, first because such a revolution really enters into the sober hopes and beliefs of every true co-operator; and secondly, because to remove those dangerous symptoms of unrest, which have appeared during the last hundred years in the industrial part of society, would literally require and constitute a revolution. Now the power of co-operators to effect this work must depend, quite apart from the changes necessary in the internal organization of the movement, upon two things: upon their ability to convert the community to the principles of co-operative industry, and upon their ability to produce under the co-operative system of industry what the community needs for its consumption. The early co-operators were perfectly right when they put before their eyes the vision of a co-operative *commonwealth*.

Both in theory and practice the full benefits of the system can only be attained if the whole industry of the community is organized co-operatively. The very fact that its pivot is the application of democracy to industry implies this. Every co-operative society to-day applies the principles of democracy between its own members, but so long as it remains only part of the community, it can only be said by a kind of metaphor to represent the community. The democratic principles which were considered in the earlier chapters will only be fully demonstrated by the movement when the movement and the community are one, when every consumer is a co-operator.

The question merely of the physical capacity of growth in the movement is therefore of the greatest importance for the future of industry, and it becomes necessary to examine more closely the actual achievements of Co-operation in this respect and the apparent limitations and obstacles to its growth.

The achievements of the movenent are sufficiently remarkable when one remembers that it has been built up in seventy years by men and women without any advantages of education, wealth, or leisure The figures of co-operative membership and trade are imposing. Roughly one in every fifteen of the population is a member of a society, so that we may say that there is one co-operator to every five families in the country. In Durham there was in 1911 actually one co-operative member to every 1½ families, and in Yorkshire and Lancashire one co-operative member to every two families in the counties. Nor can it be said that the actual growth in membership during recent years is unsatisfactory: in 1914 the co-operative population increased by 176,750, so that at this rate the movement would add a million to its membership every six years, and from 1900 to 1914 the membership increased by about 80 per cent. The value of the goods annually sold to consumers under the co-operative system is about £100 millions, and here, too, the rate of increase is considerable; for the value of such goods was more in 1914 than in 1913 by £8 millions, and the increase from 1900 to 1914 was about 76 per cent. But mere consideration of numbers and rates of increase are not very helpful, and it is only by a more detailed investigation into the composition of the co-operative membership and into the nature of their industrial operations that one can form any idea of the movement's future.

Let us take the question of membership first. As we have had to repeat many times, the members of societies belong predominately to the wage-earning class, and to the better-paid

of that class. The leisured and wealthy class are not represented in the movement at all, and the same is true of the middle and professional classes earning salaries of over £200 a year. Outside the manual wage-earners, only the middle class and small professional persons earning very small salaries are to be found in any numbers among co-operators. The effect of this upon the capacity of Co-operation to influence the whole industrial system of the country is very great. The average income of members of co-operative societies is certainly under £3 a week and probably not much more than £2 a week. Therefore as long as the movement is confined to those classes in the community whose income forms so small a proportion of the total income of the country, the field of co-operative industry, which only supplies the uses of its members, must always remain small when compared with the whole industry of the country.

This, of course, is only to say—what is a truism—that Co-operation cannot hope to solve industrial problems on a large scale, unless people become co-operators. The first requirement is that people should be induced to see the value of the co-operative system and should join the movement. But the question is not quite so simple as that. The movement has grown up among a certain class because it appealed to that class, the working class in industrial towns, it has not spread to the upper and middle classes because it has not appealed to them. The real question is whether it can or cannot be made to appeal to them. I propose, therefore, to deal briefly with some of the chief causes which have prevented the extension of the movement to the wealthier classes.

One of the causes, upon which many writers and observers lay great stress, can be dismissed very briefly. The goods which are supplied by societies are, it is said, not of the quality which are demanded by the wealthier classes, who will not therefore become members. The statement, as it stands, is an exaggeration. A great many of the products of co-operative industry do not differ materially in quality from those of non-co-operative industry. But in any case the argument is putting the cart before the horse. The co-operative store supplies goods of the kind demanded by working-class people, because the members are mainly working-class people; if middle-class people became co-operators, the stores would also supply goods to meet their demands. The co-operative system, as we saw, works in practice far more effectually in providing the consumer with what he wants than the capitalist system, which provides him with what the capitalist makes him think he wants.

The real difficulty consists in the division of the community into classes, and the difference in the psychology of classes. The Co-operative Movement is defined by economists as a "voluntary association of consumers." Now no voluntary association of human beings can grow to any size or achievement, unless there is a very strong feeling of comradeship, an innate love of acting together, a natural impulse to gregariousness. Where these characteristics exist, the movement flourishes and expands; where they are absent, it languishes. It has grown among the industrial population, but failed among the agricultural. For in the country man is still a solitary animal, suspicious of his neighbours and doubly suspicious of the stranger who lives "over the hill" or "yonder," which is but a mile or two away. In the intricate and complicated machinery of a factory, in the elaborate system of a mine or railway, man learns to work with, to depend upon, and to trust man; upon a farm a solitary labourer may day after day in lonely fields work with simple implements that have scarcely changed since the first man began to turn up the earth. This alone would explain why the 1,300,000 people crowded into the 650,000 acres of Durham are a more fertile soil for co-operation than the 223,000 dotted over the 625,000 acres of Dorsetshire The same holds true of other divisions of the community. Even if one takes the division of town dwellers, one finds that co-operation grows rapidly in the towns of the North of England, but slowly in the South. The explanation lies in the character of the towns themselves. No one can walk ten yards in a town of Yorkshire or Lancashire without seeing at once that its bricks and its paving-stones, and its men and women and children, are there for a very definite purpose. That purpose is the making of iron things, or the digging of coal out of the earth, or the spinning of cotton. The whole town sprang up and still exists for this one purpose, the making of things; its industries, while marking it with a sombre individuality, weld together the inhabitants with a sense of comradeship. But a town of Wiltshire or Norfolk or Surrey appears to the observer to be dominated by no purpose. If it has any purpose at all, it is merely to be lived in. It bears the marks not of this century or that, but of time itself. It is part of the earth, on which it has grown slowly and naturally, like the hills and the fields and the woods. There is no single or "corporate" purpose for which its 20,000 or 100,000 men and women have been gathered together to live there, and they are therefore essentially middle-class, not working-class, individualists, not co-operators.

And that brings us to the divisions of the community with which we are particularly concerned, the working and middle or "upper" classes. Co-operation denotes a very definite purpose, a highly developed sense of the dependence of one human being on another, a liking for crowds and "corporate bodies," a neighbourly feeling for one's next-door neighbour. All these things and therefore co-operation flourish most where the factories and their smoke are thickest, where wages are under £3 a week. The middle and professional and wealthy classes may be full of brotherly love, but they like to keep their brothers at a distance. To the middle-class man the privacy of the four walls of his house and of his "private affairs" is a fetish. To speak to a stranger is for him always a distasteful and a dangerous adventure; to be spoken to by a stranger is almost always an impertinence. While the working-class man has a natural tendency to be a socialist, a democrat, and a co-operator, the other is essentially an individualist.

There can be no doubt that the fundamental differences in psychology have helped to make the movement up to the present a working-class movement Psychological class differences have had an effect both in large and in small matters. The spirit of comradeship, of working together for a common purpose, is inclined to pervade the movement. Thus the man who sells you tea across the counter in a store will probably treat you as an acquaintance rather than as a customer It is a small thing, but the middle-class man as a rule wants, when he goes to a shop, to be treated with a certain respect. Moreover, because the larger ideals of communism and democracy, which are themselves based upon a similar feeling of comradeship, do not instinctively appeal to him, the middle-class man has as a rule seen in the co-operative society nothing more than a grocer's shop, and has therefore not been moved to give up a considerable past of his leisure time to managing it.

These are the real causes which have prevented the wealthier classes from joining co-operative societies. Most people assume that they will always continue to act with equal force and similar results, and that Co-operation will always remain a class movement. If that is true, one must repeat, its power for good in the industrial system will remain extremely limited. But there is no reason for this hasty assumption that the field of Co-operation is necessarily so limited. In the first place, co-operators have never tried to extend their movement to the wealthier classes, and nine out of ten middle-class persons still remain ignorant of what the movement and its principles are.

This has happened partly because of the co-operative tradition against every kind of advertisement, and partly because up to the present the field for expansion among the working classes has been so large that most societies have grown rapidly without effort. But the time is not very far distant when societies will be forced to look for their new members in other classes, or to remain stationary. The history of the movement shows that where its principles have been known it always has been able to appeal with a peculiar force to some middle-class persons, who have always constituted within it a very small band of enthusiasts. It is not over-optimistic to hope that that appeal might become infinitely wider if the principles were more widely known, and when it becomes more and more obvious that our industrial system, based upon class warfare, can only end in disaster for the community, and that co-operation presents a reasonable and successful alternative to such a system. Moreover, it should be added that there have been in the past several instances of co-operation for years failing to make any headway with certain classes, and then suddenly meeting with extraordinary success. London was long known as a "co-operative desert," and all societies started there either died or languished. This was largely due to the fact that, owing to the vast size of the town and the psychology of the Londoner, the sense of comradeship and the knowledge of one's neighbour which is characteristic of a Northern town are absent even among the wage-earners. The beginnings of co-operation are not easy, where there is no sense of comradeship in a locality, where no two men who live in the same street work during the day in the same factory or often within several miles of each other. The London wage-earner has many of the characteristics therefore of the middle and upper rather than of the working classes. Yet these difficulties have in recent years been overcome, and co-operation is now spreading rapidly in London. The four largest London societies now number over 100,000 members between them, and if the Woolwich Society continues its present rate of growth it will soon be the largest society in the country.

If the change here contemplated occurs, and large numbers of all classes join societies, the movement will undoubtedly in many ways change its character. It will cease to have some of the traits peculiar to the working classes. There can be no doubt that many co-operators themselves resent such a change. They take pride in the fact that it is a working-class movement, and though they conscientiously maintain the democratic rule that any one may join it, they might look with suspicion and even

hostility upon any large numbers of persons of other classes joining their societies. The suspicion would not, perhaps, be entirely unjustified, and it is easy to understand the desire that the movement should not lose the traditions of that class in which it has grown up. But the valuable elements in these traditions are those of democracy, free speech, equality, and comradeship, and there is no reason why these should be lost because co-operation spreads to other classes. They would certainly not be lost if the co-operator of to-day regained some of the fervent missionary spirit of Robert Owen and preached his community crusade in a new and more practical form. For at the root of co-operative principles lies the fact that the community, if it is to be a real community, requires the welding together of classes particularly in industry, in which they are now so obviously and so disastrously at war. It would be absurd for co-operators for sentimental reasons not to pursue that promise, which their movement alone seems to give, of welding classes into such a community.

If the power of the movement to solve industrial problems on a large scale depends upon its power of appealing to all classes in the community, it must depend still more upon the range of its industrial operations. Co-operation, to perform the great tasks which we have found to be necessary, must show that it can be applied to at least the greater part of production. At present this is not the case. The industrial operations of the movement are, when compared with those of the whole country, even more limited than its membership. They are confined to the retail, or, as they are sometimes called, the distributive, and wholesale trades, to banking and insurance, and to certain well-defined kinds of manufacture or "production." It is in the latter that the limitations are most striking. The co-operative system has been successfully applied to building and to the manufacture of food products, clothing, furniture, and household articles. It has hardly touched agriculture or the textile industries, and has failed to extend its operations to transport, mining, engineering, shipbuilding, machine-making, and the metal industries.

Now of course if the whole or the greater part of the retail and wholesale trade of the country, and also of banking and insurance, of building, of the manufacture of food products, clothing, furniture, and miscellaneous articles were gradually absorbed by the co-operative system of industry, the movement would have a very great effect upon the industrial system of the country. But even in that case the most important

fields of industry would still lie outside it, in the major industries of the textiles, mining, engineering, etc. It is for this reason, and because they believe that there are causes which will always make the application of Co-operation to those fields impossible, that many writers dismiss the idea of the Co-operative Community as a dream, and condemn the co-operator to a very narrow sphere and humble rôle in the future. It is therefore necessary to examine this question of the scope of co-operative industry in some detail.

The first point to notice is that the whole question is very closely connected with the one which we have just been considering. So long as the movement remains a working-class movement its sphere in industry will necessarily be narrow. The industrial operations of the movement are strictly limited by the demand of its members, for if it were to manufacture for and sell in the outside and open market, it would cease to be co-operative. Although the class from which co-operators are drawn may be numerically the strongest in the country, its demand for commodities forms a very small part of the total demand, simply because its income is a very small part of the national income. The income of the average working-class family is too small to admit of much expenditure except upon food and tobacco, clothing, furniture, and household articles. Thus even if every wage-earner in these islands joined a society, and spent all his income in the store, there could be no very great extension of co-operation to industries in which it is not already established. The increased demand might make a real extension possible to coal-mining, the textile industries and agriculture; but it could not support a co-operative machine-making factory or operations for the production of metals, ships, and innumerable commodities which are for the wage-earner's income unattainable luxuries.

The effect upon the development of the movement of the small average income of its members is hardly ever properly understood. The average sales per member per annum in Great Britain and Ireland are between £28 and £29, and they range from £38 in Scotland and £35 in the Western counties of England to £21 in the South and £18 in Ireland. Co-operators themselves consider these figures unsatisfactory and that they show a want of "co-operative loyalty." Of course they show that every co-operator does not buy all the commodities which he could from the store. But when it is remembered that £2 for a man and 17s. for a woman are "good wages," and also that the figures are for a membership of over 3,000,000, and that those

figures include many cases in which more than one in a family belongs to a society, or the same person belongs to two societies, it will be seen that the small expenditure per member is mostly due to the small spending power of co-operators. The expenditure would be very different if persons of other classes were to join the movement in any numbers and purchase from the stores. And this would make possible not only a very large extension in those industries in which the movement is already successfully established, but would also allow it to expand to industries which at present seem to be altogether outside its sphere. Thus for the C.W.S to start manufacturing machinery, or metal production, or shipbuilding, or engineering, so long as its markets were limited to the demand of the working-classes, would be to court disaster. But that would immediately cease to be the case if it could and did supply the demands of the middle classes. There is little doubt, for instance, that such an increased and varied demand would make a successful extension of co-operative manufacture to the textile trades certain. There would, in fact, be an enormous increase both in the volume and variety of co-operative manufacture. But that means that a further extension to industries like the metals and machine-making, which produce commodities necessary for the operations of other industries, would become economically possible and desirable. Again, even shipbuilding should not be beyond the hopes of co-operators. When the C.W.S. started to import food-stuffs on a considerable scale, it at once found it economical to enter the shipping trade and become a shipowner. It bought two or three cargo steamers, and regularly imported goods in them for the consumption of its members. Any large increase in the co-operative membership and manufacture would be followed by a corresponding increase in the co-operative import of food-stuffs and raw materials. If the Wholesale Society followed its earlier policy, the co-operative democracy would then require to own a very large fleet of cargo steamers; and that it should go on to build the fleet to carry its own merchandise, is by no means a fanciful notion.

Some people will regard such speculations as, for the present, useless and unpractical. But they should remember that it is only by facing them that it is possible to determine what the effect of Co-operation is to be in the future. Every person must make up his mind whether he considers that the ordinary industrial system is working satisfactorily for the community, and if he decides that it is not, whether he is prepared to take his part in reorganizing it democratically upon the co-operative

basis of production for use. But a mere theoretical approval of the co-operative system will effect nothing. What we want to know is how far people must become co-operators and how far industry must become co-operative, in order that the desired results may be obtained. It is of the highest practical value to see that, if people do become co-operators with a full realization of what the system means, there are hardly any limits to the application of the system to industry, and vice versa that the system cannot be applied to the greater part of modern industry so long as whole classes of the community do not become co-operators. Moreover, the hope of a vast extension of the industrial operations of the movement is not so visionary as it might at first sight appear. Practical business men and theorists would in 1844 have laughed at any one who had foretold the development of the little store in Rochdale into the Co-operative Movement of to-day. Yet some co-operators actually foretold it, and proclaimed the truth that it depended upon how far the principles of Co-operation were capable of appealing to the working classes. The step from the Rochdale store retailing a sack of flour to the enormous Wholesale Society's mills at Manchester grinding 1,000,000 sacks and more of flour every year is far bigger than would be that from the Wholesale Society's factories of to-day to a Wholesale Society's shipbuilding yard in the future. And just as the first step depended principally upon the working classes becoming co-operators, so the second depends upon other classes now entering into the movement.

There are, however, other apparent limitations to the growth of the movement which, in the opinion of some writers, seriously impair its utility. In the first place there is the difficult question of agriculture. It must be admitted that agriculture remains practically untouched by the movement. Several retail societies and the Wholesale Societies farm land in Great Britain, and the Wholesale Societies have tea estates in Ceylon, and at one time conducted fairly large dairying operations in Ireland; but though some of these ventures are not unsuccessful, they are in extent very small when compared with the purely industrial achievements of co-operators. To deal adequately with agriculture in this volume is not possible, and it must suffice to draw attention to the following points. Almost all agricultural enterprises present problems which are quite different from those of industrial manufacture. It is possible, though by no means certain, that these problems are of such a nature that they cannot be solved by a democratic system based, like the

movement, upon consumption. The question can hardly be settled theoretically; it must wait for a final answer until co-operators have made a real attempt to undertake agriculture, and succeeded or failed. If the scheme of acquiring land in Canada for wheat-growing is really developed, the attempt will be made on the largest scale. And one may hazard the conjecture that consumers' co-operation will succeed in agriculture only if it is carried on on a large scale; its type of organization is not fitted for small-scale operations upon the land in which the personal element of ownership is far more important than in trading and manufacture. It should be noted, too, that the types of co-operation which, especially in Denmark, Germany, and other continental countries, have proved so successful when applied to agriculture, preserve this element of personal ownership of the land. It is not consumers' co-operation at all, but is rather an association of the producers, either for obtaining the capital necessary for improving their holdings, or for buying agricultural implements, or for preparing the produce for sale, or for marketing the produce. It is peculiarly applicable to farming carried on on a small scale. There can be no doubt that the development of this form of agricultural co-operation is much to be desired in Great Britain, and that it would be welcomed by the movement. In fact the consumers' society and the association of small farmers can fit into one another admirably, the former providing a market for the produce of the latter. The Lincoln Co-operative Society has shown what can be done by opening in small agricultural villages stores which not only supply the needs of their members as consumers, but also serve as collecting depots for the produce of their members' farms and holdings. This produce after collection is transported to the central branches of the society in the town of Lincoln, where it finds a ready market. It is easy to see how if the agricultural members of the Lincoln Society also co-operated in the actual production of agricultural produce in co-operative associations, the two types of co-operation could mutually aid one another.

A second limitation of the movement is found by some in its alleged inability to undertake foreign trade. But there is clearly nothing in the system which would make a very great development of co-operative imports and exports impossible. The C.W.S. already imports on a large scale, and every extension of co-operative industry necessarily implies an extension of co-operative imports. Indeed, so far as imports are concerned, there is no difficulty at all, and the extent to which this side

of foreign trade is carried on under the co-operative system will depend simply upon the extent to which people became co-operators, and manufacture for home consumption is engaged in by the movement; for if co-operators demand foreign commodities, or commodities which have to be manufactured from foreign raw materials, the C.W.S. must import them. The question is, however, not so simple. If the movement manufactured for export and sold in the ordinary way in the open foreign market, so far as the export trade is concerned, it would have abandoned the co-operative principle. But in the first place it would be perfectly possible to apply the co-operative principle to the export trade provided only that the co-operative system was developed in foreign countries. In fact, on a small scale this has already been done. The Wholesale Society of Germany, Grosseinkaufs Gesellschaft Deutscher Konsumvereine, used to export goods to the Danish Wholesale Society, while it imported tea from the English C.W.S and cheese from the Swiss Wholesale Society. It is clear, therefore, that if the several Wholesale Societies became members of each other, we might have a large and important development of a new kind of co-operative international trade. On the other hand, it must be admitted that it will certainly be many years before countries in the less civilized parts of the world which now buy largely from us are likely to have developed a Co-operative Movement which could take part in such a system. It is difficult to imagine the inhabitants of many parts of Africa co-operating to manage a Wholesale Society which would import Manchester cotton goods for them from the English C.W.S. at Manchester. Though the matter is not one of vital importance, it may be suggested that the movement might in such cases engage in foreign trade without seriously infringing co-operative principles, if they reverted to a very old and neglected idea of co-operative industry. It will be remembered that we showed in a previous chapter how in the pre-Rochdale days the central idea of Co-operation was the foundation of communalism, and how the introduction of the dividend on purchase turned the movement into the path of individualism. The returning of "profits" to the individual purchaser or consumer was and remains a sound principle, and the co-operator would be very foolish if at the present moment he gave it up. But it is doubtful whether he has not in this country carried individualism to extremes, and whether societies might not with advantage devote a larger share of "profits" to communal purposes. At the present moment the only examples of the creation of a fund for commu-

nal purposes are the devotion of 2½ per cent of the "profits" by some societies to educational purposes and the provision of convalescent homes and funds. Following this system the movement might with advantage create a general communal fund, and in any case in which it engaged in foreign trade and was unable to pay a dividend on purchase, it might pay into the communal fund the amount which should have been paid in dividend to the foreign purchaser. In this way the home consumer would not be increasing his dividends at the expense of the foreign consumer, while a much-needed fund would be created for communal purposes such as education, scientific investigation into industrial processes and inventions, the improvement of industrial conditions, etc.

This question of a communal fund leads us naturally to another point in which the area of Co-operation is said to be seriously limited. Nothing is more striking in recent years than the extent to which the community represented by the State and municipality is engaging in industrial enterprises. This has led many people, both Socialists and otherwise, to the conclusion that if the community is to undertake the work of production and distribution on a large scale, it is best that it should do so in State and municipal organizations, rather than in the voluntary organizations of consumers. These arguments often take the further form that any modification of the existing industrial system not only should be, but will be in the direction of State Socialism, and that the only field which will be left for Co-operation in the future will be that of the retail store. These opinions are not merely theoretical, but already have practical effects. Thus the proposal that the movement should purchase and work a coal-mine is frequently opposed by those who hold that the mines should be nationalized. Or, to take a very different case, those who think that industries such as the supply of milk, which are intimately connected with hygiene, should be in the hands of municipal authorities, do not look with favour upon the numerous cases in which co-operative societies all over the country are starting to supply their members with milk.

The question raised here is a large one and of some interest, namely the whole relationship of Co-operation to Socialism. Socialism does not always mean the same thing even to Socialists, but, whatever it may mean, few will deny that it has always been closely connected with the Co-operative Movement. It is significant that Owen, the father of Co-operation, was also the father of British Socialism: his Socialism was indeed the purest form of Communism, and Communism and Co-operation were

for him identical. Then came the early co-operators of the movement, who were really Socialists first and co-operators second, for to them Socialism was the end and Co-operation the means of obtaining that end. As we saw, this theory of Communism and Co-operation was gradually given up, but all through its history the movement has contained a very large number of Socialists, and certainly its leaders and those who have been responsible for moulding co-operative theory and principle have almost always also held socialistic doctrines. And from the other side socialist organizations in many countries have seen in Co-operation a working industrial system which put into practice many of their fundamental principles. This has led in Belgium to a close alliance of the movement and the political Socialist party, and in France to official support of the co-operative societies by socialistic Trade Unionism.

The early theories of Socialism and Co-operation have both changed, but they have both changed in the same direction, so that the early affinity has easily persisted. The rigid and complete communism of the first Socialists, which would have abolished all private property and almost all individual initiative, has given way to an idea of modified communism in which the chief point is the ownership of the means of production and the control of industry by the community. On the other hand, co-operators have abandoned their idea of small communities owning and working upon communal land and possessing in common the produce of labour for the idea of Co-operation as a system which allows the community organized as consumers to own the means of production, and so to control industry. Thus the ends of Socialism and Co-operation are in practice very much the same, namely that industry shall be carried on not for the profit of individuals or classes, but for the use or consumption and benefit of the whole community.

The account of Socialistic aims and ideals, given above, is, of course, by no means an exhaustive definition of the Socialism of to-day, and it would probably be repudiated by many Socialists. But it is a correct account of the tendencies of modern Socialism, and shows the point at which it touches the Co-operative Movement. The important thing to notice is that it is precisely at the point where it touches that it is also inclined to diverge. The importance which State Socialism has acquired in the history of modern Socialism is due to the fact that the most obvious way to place production and industry in the hands of and under the control of the community is for the State or municipality, representing the community, to own the means of production

and to undertake industrial operations. Looked at in this light, one sees that State Socialism and the system of the Co-operative Movement are two alternative methods of obtaining the same result aimed at by Socialism: industrial production controlled by the community for the community.

When, therefore, the question arises in practice whether a particular trade or industry should be undertaken by the municipality or by the co-operative society, it does not involve, as it is often assumed, any question of ends over which there should be any dispute between Socialists and co-operators, but rather one of the means, namely whether communal industry can be best developed by State and municipal enterprise or by associations of consumers. It is clear that certain branches of industry, such as the postal, telegraph, and telephone services, in which the State has already established a monopoly, are outside the scope of Co-operation. Possibly, too, the future will show that mining and many branches of transport, such as tramways and railways, are not suitable for the co-operative system. There are obvious reasons which would make it difficult to apply the dividend upon purchase system to railway traffic or to tram and omnibus services. But even if that should be the case, it can hardly be said that the field open for the movement is very seriously narrowed, and the most optimistic co-operator certainly has never hoped for more than a partition of the whole of industry between the State and the society.

But this question has another side which deserves the attention not only of Socialists but of all citizens, and particularly those engaged in administrative work. The theoretical advantages of the state or municipality providing goods and services, in order that industry shall be carried on for the good of all rather than for the profit of the few, are obvious. But State and municipal organs have usually developed for the purposes of government and not of industry. The administration of law and order is, however, a very different thing from the production and distribution of commodities. Many of the failures in State Socialism, and much of the dissatisfaction with State and municipal enterprises, are due to the fact that an organization which is intended and is suitable for one operation is being applied to another for which it is entirely unsuitable. The universal complaint against "red tape" in Government offices and all State enterprises is a very good example. The men who enter Government offices are not naturally more pedantic than those who enter business firms, but they find in Government offices an established tradition of transacting business according

to fixed formulæ and exact definitions. But such a tradition, which manifests itself to the public as red tape, is perfectly proper and absolutely necessary where the question is one of law. The goodness of a system of law depends very much upon minutely accurate definition and the uniform application of general rules. On the other hand, a fixed tradition of this kind is absolutely fatal to the efficient transaction of commercial business, or to the operations of industry, in which ready adaptability to changing circumstances and quick decisions are required. Thus red tape, which prevents the criminal slipping through the meshes of the law, or the contractor through the meshes of the contract, and prevents the administration of law becoming uncertain and erratic, only serves to strangle the business man.

For these reasons it is by no means so certain, as is frequently assumed, that the State and municipality, which have developed for purposes of government, provide the best system of organization for applying democracy to industry On the other hand, the Co-operative Movement has the enormous advantage of having been obliged from the first to develop its organization for industrial purposes, and to make it sufficiently efficient to compete with the capitalist system A moment's reflection will show that generally it is infinitely more efficient than the State or municipality as an organ through which the community can control industrial organizations It is no more subject to the disease of red tape than the ordinary business firm. And because the unit of its organization is the consumer, it has evolved an organization by which the community of consumers makes its needs known directly to the executive. This is not the case with municipal and State enterprises. If a municipality started to run the milk supply in a town, the actual power of the inhabitants to control the undertaking, in order that on broad lines it should be carried on in conformity with their will and needs, would be much smaller than if the milk supply was in the hands of the co-operative society. The municipality has no organs like the quarterly meeting and the management committee, which put the consumer into direct relation with his representatives and the salaried staff who are immediately responsible for managing the business. Theoretically, perhaps, the power of the democracy over the representatives and executive is just as great in the borough council as in the society, but in practice it is immeasurably less, because first the individual citizen can only exercise it at rare intervals by voting or not voting for particular representatives, and secondly because the functions of the council are so varied

that it would be almost impossible for a clear-cut question of industrial management to be raised and answered at an election.

For these reasons both the Socialist and the non-Socialist might conclude that the movement is a type of organization better adapted for the control of industry by the community than those organizations which we are accustomed to associate with communal control—the municipalities and State. And they should remember that compared with the latter the co-operative organization is in its infancy. It admits of enormous development, and, if the movement once becomes fully representative of all classes in the community, there is no reason why it should not modify its structure and system in such a way as to apply its principles of communal control even to industries like transport. So that once more we come back to the conclusion that the power of co-operation to influence the future depends to a large extent upon whether all classes of the community join the movement.

But these considerations carry with them important consequences which are not realized either within or without the movement. Even to-day co-operators and the co-operative society stand for the community in a way in which no ordinary industrial concern can stand. The movement should take its place not with the Standard Oil Company and the Imperial Tobacco Company, but by the side of the organs of the State. It can and should rightly speak for the consumers, and the consumers are the community. It is curious to notice how the State was forced by circumstances to recognize this fact in the time of great stress which followed the breaking out of war. The community was faced with the danger of prices being forced up by traders taking advantage of panic. This was, of course, occurring at first all over the country. But the co-operative society, because it represents the community of consumers and is not concerned simply with profit-making, has no inducement to take part in this artificial raising of prices. There were, therefore, in the early days of the war many cases all over the country in which societies refused to raise prices, and checked panic by refusing to sell more to customers than the amounts which they were accustomed to purchase. One large society, by refusing to join the bakers in putting up the price of bread, caused the price in an extensive area to be lowered a week after it had been raised, and was able successfully to prevent it being raised again there for several months. Similar events are, of course, continually taking place in ordinary times, and they account for the hostility of the private trader to the movement, for

wherever there is a large society in a town it prevents from time to time the artificial raising of prices by rings and combinations. In the early days of the war, when conditions forced the Government to attempt some control of prices in the interests of the community, this characteristic of the movement was partially recognized. Certain Government departments were in continual communication with the C.W.S., which was able to furnish proof of what the actual wholesale prices to the wholesale dealers were at the time, and therefore enabled a fair maximum price to be fixed. Thus recognition was given to the fact that in those departments of industry in which it is already established, the food production and supply trades, the movement represented the interests not of one section or another section, but of the whole community.

But it is curious that in ordinary times and in the later stages of the war neither the Government and Government departments, nor co-operators themselves, seem aware of this important fact or of the possibilities which are contained in it. Relations between the State or municipality and the movement in the United Kingdom cannot be said to exist. But the German Government has certainly realized that the German movement is potentially an organization that might easily speak on behalf of the people, for in pursuance of a policy of suppressing all such tendencies, it has persistently persecuted co-operative societies, and has even attempted, unsuccessfully, to prevent Government employees from becoming members. On the other hand, the co-operators, owing to the tradition against any kind of advertisement or any participation in anything which might remotely resemble politics, have never attempted to take that position or to fulfil those duties in the State which their members, principles, and system really impose upon them.

It is not difficult to give actual examples of such neglected possibilities and possible developments. Let us take the co-operators' side first, and the question of taxation. Whenever the question of taxation is raised, the interests of all the various classes in the industries which are affected by proposed taxation are voiced and listened to, through their organizations and political influence, except one. That one is the class which is itself co-extensive with the community, the consumers. The helplessness of the consumer in industry and commerce is obvious, and is due to the fact that consumers have no kind of organization or combination, whereas the most important feature of modern industry is the growth of organizations and combinations among all the other classes that participate in industry,

Labour, finance, manufacturers, wholesale dealers, retail dealers, etc. But what happens in the actual arena of industry and trade, of production and distribution and buying and selling, happens also in the wider arena of society. Every one can observe the influence exerted by finance, by the Trade, or by organized Labour as soon as any question like taxation is raised. The consumer has no influence because he is unrepresented by any organization or combination. The co-operator does not seem to be aware that his is the only organization of consumers, and that it can speak for some 10,000,000 out of the 46,000,000 consumers in the country. To the State a citizen is or should be far more important as a consumer, than as a financier, a capitalist, an entrepreneur, or even a producer, and the most important effects of taxation, for example, are upon the consumption of the community, not upon money, monopolies, production, or class interests. And the one body which could and should make this clear, and within the state speak on behalf of the consumers, is the Co-operative Movement.

From the point of view of the State a recognition of what the co-operative system is and of its capabilities is even more desirable. It is possible to give a most striking example of how the State might with advantage have even to-day used the system as an arm of itself, because it does stand for the community. The whole question of the enormous rise in the price of coal, which caused much heat in the first twelve months of war and a Government inquiry and report, turned to a great extent upon whether the trader was fleecing the consumer. What the Government and the community wanted was that the middleman should not be able to raise the price between the pit mouth and the retail coal merchant's delivery to the consumer. The official report certainly went to show that this was being done, and that it was made possible by the uneven way in which the supply of coal was being distributed for retail sale in the country. Now the State found itself impotent to check this, because in order to do so it would have required a fully developed organization of its own for supply all over the country. The only persons, therefore, which it had to use for the distribution of coal to the consumer were the private traders, who are forced by the whole system of industry, in which they themselves are only isolated individuals, to think of themselves and their profits first. Any attempt to impose a control of prices upon such a system was foredoomed to failure, as academic economists have always been eager to point out, and as the German Government has discovered in similar circumstances. But there is no doubt that by

making use of the existing organization of the Co-operative Movement the State could, to a very large extent, have succeeded in accomplishing what it desires. The Wholesale Society is already a national centre for equalizing the distribution of commodities, and it is every day performing this work through its expert staff and the network of retail societies of which it is composed. Many of the retail societies already supply their members with coal and have their own coal-trucks on the railways. If the Government had called together the heads of the Wholesale Society and of the retail societies, it might have been possible to devise a scheme by which the supply of coal for household consumption would have been entrusted to them and artificial inflation of prices prevented. Some people would, of course, raise an outcry against granting special facilities to the societies for obtaining coal, and would urge that it would be only putting profits into the hands of the societies instead of into those of the private trader. But as soon as one considers what actually the result of such a scheme would have been, if carried out, it becomes clear that the co-operative society does represent the community and does not make profits in the same way as the trader. If the State had made it a part of the scheme that the dividend paid by any society upon coal purchased should be the same for members and non-members, then the only persons who would have profited by the scheme would have been the consumers of coal in every town of the country, and they would have profited by getting the coal supplied to them at a price composed of the cost price at the pit mouth and the cost of transport and distribution. But that was precisely what the State, which had been forced to act on behalf of the community, was vainly attempting to compass, namely to protect the whole body of its citizens against the industrial operations of a small section of them. In other words, if the State had entrusted these industrial operations to that section, the section would have profited at the expense of the community; if the State had entrusted them to the Co-operative Movement, the community and not the movement would have benefited, because the movement does not stand for any individual, section, or class, but for the community.

People are inclined to forget that in peace the same economic causes work for the good and ill of society as in war, and if private profit-making at the expense of the community is an evil at the one time, it is no less at the other. The function of the modern state is admitted by every one to be to compass the good of the whole community, and to hold, if possible, the balance between

different interests. In performing this task it has been forced, wherever industry is highly developed, to attempt the control or limitation of private profit-making. This has given the main impetus to State socialism. But it is a question whether the State, through its organs of government, would not achieve the best results by directly encouraging the co-operative system of industry rather than by attempting to combine itself government with industry. Thus a municipality instead of starting a municipal dairy would work with the co-operative society in the running of a co-operative dairy. In this way the Co-operative Movement would become recognized as, what it in fact is, the industrial wing of the democratic state. The community would then have in the State and its organs the machinery for democratic government in the co-operative system and its organs the machinery for democratic industry.

It is impossible to leave this question of the relation of the State to the movement without saying a word about the most obvious distinction between industry carried on by the State and by the movement. The latter is a *voluntary* association, and its voluntary nature will probably appear to some to make it unable to take its stand upon the same footing as State organizations. It may be argued that the functions which in the preceding paragraph have been suggested for Co-operation would be impracticable in the future unless membership of the movement were made compulsory, or unless it was granted legal monopoly in certain industries, which would amount to the same thing. Now it is precisely this "voluntary" characteristic which in the movement has led to the development of a system better adapted for the application of democracy to industry than are existing State and municipal industrial organizations. The movement is the work of enthusiasts, who have had two objects perpetually before their eyes, democracy and industrial efficiency. The mere fact that any one joins a voluntary association, like a society, means that he takes some personal interest in its objects. But a man is a member of the State or of his borough whether he likes it or not, whether he takes any interest in its activities or not. Moreover, the Post Office has grown as a mere appendage to a legislative body, the two Houses of Parliament, and municipal trading as a mere appendage to bodies the primary concern of which is the preservation of order and health in towns. The result is that the interest of the co-operators is better, both as regards quality and quantity, in the industrial activities of the movement than that of citizens in similar civic activities; that the industrial organization of the Wholesale

Society is more efficient than that of State and municipal concerns ; and that the machinery of the movement allows the co-operators to exercise a more real democratic control over the Wholesale Society than that of the State allows the citizen to exercise over the Post Office.

The co-operative system would therefore lose much by losing its voluntary nature, and throughout this book it has been argued that its future must depend upon its ability to attract persons by its principles and methods voluntarily to become co-operators. In other words, the assumption had been made that a co-operative society will remain a voluntary organization. And of course there is no doubt that the time is far off at which the State could make membership of the movement compulsory. But it is necessary to point out that this does not mean either that the State could not rightly recognize co-operative industry organized on a voluntary basis as the industrial wing of a democratic society, or that by ceasing to be voluntary at a later stage of its development the movement would stand to lose valuable characteristics in the same degree as it would have lost them in its earlier years. To take the first point first : the State is continually giving powers of monopoly to and recognizing as semi-State institutions voluntary associations. Thus the four Inns of Court are voluntary associations, but instead of being democratic and open to all members of the community like the movement, they are governed upon a purely oligarchical basis and exercise unlimited power in admitting or refusing to admit members. Yet they are recognized by the law as the only body which can provide the community with the services of advocacy, and the State grants them the most complete legal protection of this absolute monopoly. With such an example before one's eyes, it can hardly be maintained that the State would have no right to work in close co-operation with a movement which is in form purely democratic and has open membership, or even to confer upon such an organization the exclusive privilege of supplying the community with certain goods and services. Naturally the movement could not claim that privilege until it had shown itself capable of meeting the community's demands, but few people realize how far it has already gone in some places and for some demands in doing so. The case of the Desborough Society has been quoted in a previous chapter, but a still more remarkable instance has occurred abroad. The whole milk supply of the town of Bâle in Switzerland is now in the hands of the co-operative society, and capitalist enterprise has been completely ousted from this branch of industry.

As regards the movement itself, most co-operators would shrink from seeing it in any close relations with State departments, or abandoning its voluntary and independent existence. But though it is true that the spontaneous and independent growth of the movement, with its voluntary system of membership, has been directly the cause of its most admirable characteristics, its democratic form and its capability of applying democratic principles to industry, yet it does not follow that it has not or will not reach a stage at which its original constitution and independence could not be safely modified. It has now firmly established the main outlines of its democratic system, that is to say that the people who form the co-operative community have the power to control the co-operative industry. There can be no danger that an attempt to convert the domestic democracy into a still wider democracy will now destroy the outlines of this system. Co-operators might safely abandon much of the timid parochialism which has in late years been very evident in the movement. By their principles they must aim eventually at making the co-operative community co-extensive with the whole community. But this will never be achieved unless they come out into the open, and claim recognition for the co-operative organism as a public democratic organism on the same level as those of the State. Nor should they shrink from looking forward to the time when a man or woman will be *necessarily* a member of a co-operative society, with rights and duties, just as he or she is now *necessarily* a member with rights and duties of a municipality.

There are two other questions which affect the more immediate present of the movement and which deserve notice. The first is the scheme which has been referred to in a previous chapter of uniting more closely the autonomous societies. The idea of a National Co-operative Society in which all the existing societies would be merged, including the Wholesale Societies, was first formulated in detail by the late Mr. J. C. Gray, Secretary of the Co-operative Union, in an address delivered by him in 1906 as President of the Congress of the Union. His idea was that the membership and assets of the existing societies should be transferred at a valuation to the new National Society. The National Society would be identical with the whole movement, and its policy and business would be directed by a General Council of 150 members elected by co-operative constituencies into which the whole country would be divided. The individual societies would thus become branches of a single society, but would be managed locally by local committees, as at present,

but subject to the general control of the central authority. Mr. Gray added to this scheme a proposal that only half the amount of dividend allotted to each member should be withdrawable by him, and that the other half should be allotted to him in the form of withdrawable shares, which although transferable "would remain fixed in the society and would never, on any account or under any circumstances, be paid out or realized in any shape or form." Thus half the annual profits, instead of being divided among individual members, would be regularly accumulated in the movement in a communal fund to be used for the development of co-operative enterprises and ideals.

The difficulties in the way of realizing such a scheme can scarcely be over-estimated. Co-operators, in everything which touches the fabric of their movement, are conservative, and the spirit of local patriotism among them is strong. But it is certain that some such method of centralizing their activities will be necessary if they are in the near future to take another step forward towards the realization of their ideals. A movement which, as Professor Marshall saw, is both a "faith" and a business, is a curious phenomenon, and cannot afford to slip into a groove or to allow its efforts and energies to become scattered. As a vital thing it lives in the unity of faith and ideals of its members, and if that fails, it has no more force for social progress than a number of competing joint-stock companies or the isolated individuals who own shares in them. Now the movement suffers already from the dissipation of its efforts and the absence of centralization both of its faith and of its business. The strongest part of it is the Wholesale Societies, and that is the only part in which centralization exists. Otherwise, commercially and industrially, there is hardly any unity of action between the 1,390 autonomous societies. There is, too, no central authority which can declare co-operative principles or guide co-operative policy on the many occasions when this is necessary to secure unity of action. The Co-operative Union, which ought to perform these functions, only occasionally succeeded in doing so before the war. On the occasions when it did act, as for example on its legal side, it showed what an extremely valuable and important body it is and how worthy to represent the movement. But it remained too academic a body; its chief function was to publish statistics and to hold the annual congress, of which the beginning and end were too often pious resolutions. This has partly resulted from the fact that the Union has no real authority over the

individual societies, and partly from the faulty constitution of the executive of the Union. It must, however, be noted that recent events have placed the Union in a far better light. The energetic action, which will be recorded in the next chapter, was largely due to the initiative of the Union and the C.W.S. directors, and no praise can be too high for the way in which they rose to the occasion and gave a lead to the movement. Moreover the Union is itself engaged through an elaborate Survey Committee in considering the remodelling of its own constitution.

A centralization, on the lines suggested by Mr. Gray, as he himself pointed out, would greatly help to remedy these defects in the movement. It would make a common policy among the 3,500,000 co-operators possible, for it would lead to a "general acceptance by all co-operators of definite ideas as to the purpose and aims of the Co-operative Movement." The will of the co-operative democracy which, except in the Wholesale Society, now finds itself too often split up into local fragments, would at least have an opportunity of expressing itself. In innumerable cases we should get "combined action" where we now get "isolated" and even "competitive" action. And in other ways advantages would accrue. A uniform rate of dividend, which has often been advocated, but which is practically impossible under the existing system, would be obtained. From the purely industrial and commercial side the change could only make for strength. Combination on a vast scale is the rule of modern industry and commerce, and the most formidable rivals of the co-operative system are the great trusts, combines, and multiple shops. Their power arises from the economies of management, buying, and production which come from organizing industry upon a large scale. It is only by closer and closer combination that the movement will be able to meet this development of industry, and obtain for the community the economies which now go to very small sections of it. And it is certainly only by such a combination of its resources that it will ever be in a position to extend its operations into those fields which we considered in the earlier part of this chapter.

The last question to which we must refer is that of education. We have already pointed out the immense importance of this question to a movement composed mainly of wage-earners, and the particulars in which co-operative education has failed from lack of organization. It is a subject upon which this chapter may most fittingly end, for more than any mere growth of membership or trade or manufacture, the educational side of the movement must or might affect co-operators and the

whole community for good. If this war has proved anything, it has certainly proved the necessity of a community of educated men and women, that is to say of men and women who possess not only the particular knowledge required for performing the particular work which it falls to their lot to do day by day in and for the community, but also that wider knowledge of the past and the present, of history and society and government and industry, without which a man cannot usefully exercise the functions of a citizen in a modern state. In fact, the presence of large numbers of uneducated citizens is clearly far more dangerous to the State than any external enemies. And nothing is more certain than that the dangers that threaten society in the existing conditions of industry are largely due to this lack of education, and that a democracy which is without education must be incapable of understanding the ideas underlying an industrial system, like Co-operation, and therefore of carrying it out.

It must be accounted a merit of the movement that co-operators have always clearly recognized these facts, even if they have not been very successful in applying practice to principle. The Central Education Committee of the Co-operative Union each year places at the head of its programme a definition of co-operative education, in which one of its objects is stated to be "the training of men and women to take part in industrial and social reforms and civic life generally." But it is the English Women's Co-operative Guild which has shown in the most interesting way what co-operative education can achieve. This Guild, which contains about thirty thousand women, mainly married working-class women, has set before itself consciously the ideal of an educated democracy capable of controlling industry for the benefit of the community and of taking its part in all departments of civic life. Its members, most of whom have been denied the advantages of early education and nearly all of whom are immersed in the most exacting of all occupations, the management of a working-class family and home, would not at first sight appear to be the most promising material for so ambitious an experiment. Yet the experiment has been entirely successful. We have already referred in previous chapters to particular instances of the Guild's work within the movement. It stands out to-day as the Left wing among co-operators. It has instilled into its members a passionate desire for knowledge, and has then instituted an admirable organization for providing them with the knowledge which they desire. The result is that it may justly claim already to be within the co-operative demo-

cracy an educated democracy of many thousand women who understand the principles of co-operative industry and strive actively to put them into practice through their societies. But the presence of such a body is being felt not only within the movement, but in the wider field of the State. In 1916 no less than 56 of its members were elected Poor Law Guardians, 131 were serving on Insurance Committees, 125 on Pensions Committees, 75 on Public Health Maternity Committees, and 60 on Food Control Committees. It was able to obtain much-needed amendments of the Insurance Act, and the work which it has done and is still doing all over the country to obtain State provision for maternity is of the very first importance.

But the achievements of the Guild only bring out more clearly how much remains to be done. Before the war it reached at most only 30,000 members out of 3,000,000. It is essential that the movement as a whole should do for itself what these 30,000 women have succeeded in doing for themselves, and that it should work, by its own efforts and through the State, for the foundation of an educated industrial democracy. Such is the ideal and the idea which lies behind the co-operative system as described in this book. The fact that it is only an idea may appear to make it negligible to those people who pride themselves on being practical. But they are apt to forget that it is not acts, but ideas, which make the world move forward. The great factories of the Wholesale Society stand firmly upon the ideals of democratic industry which inspired every action of the early co-operators. And for the future the best hope of progress is in the efforts of men and women, possessed of that ideal, and determined to have an educated community controlling industry not for the profit of the few, but for the use of the whole.

CHAPTER VI

CO-OPERATORS AND POLITICAL ACTION

In the preceding chapters I have been dealing only with Co-operation as an industrial system; and I have tried to show how the movement industrially contains within it two seeds or germs of immense significance and value. In the first place, it is the only industrial system, actually working successfully on a large scale, which is capable of applying democratic control to industry. In the second place, it is the only system which can found the industrial actions of a community upon right and reasonable beliefs and motives. If men and women were really civilized, they could not possibly fail to see that the only object of producing and distributing material commodities is consumption. The actual work of the human agents under modern conditions of industrial production and distribution cannot be either ennobling or pleasant in itself. We cannot now revert to those days before the machine and the factory came, when every leisurely producer might, if he wished, be an artist and find the artist's joy in his work. Industrial production to-day is an unpleasant necessity, and the world should recognize it as such. No industrial production should be tolerated in a community which has any belief in the dignity or hope of the future of man, except such as supplies the wants of the community. But that means that industry should be so organized that the motive which sets in motion industrial operations is always only the demand of the community for commodities.

This simple truth and its consequences can hardly break into our consciousness through the network of perverted beliefs and motives which the existing system has woven across our minds. That system starts from the wrong end and has set up a vicious circle in society and in men's minds which it is almost impossible to break through, but, if unbroken, must inevitably involve the ruin of Western civilization. Man in

the herd is very like sheep in the flock, for we have a fatal instinct to fix our mind's eye upon the back of the last thought in the mind of our neighbour, and then to follow him blindly along the path of political and social development. Hence the danger of these vicious circles in which whole nations of men and women tramp desperately round and round upon a track formed of their own follies, cruelties, and miseries. The sheep could save itself from destruction if for one moment it could wrest its eyes from the tail of the sheep in front of it, which it is following blindly to the edge of the precipice. The same is true of man. The only way to break a vicious circle of this kind is for men to tear their thoughts away from the prejudice which they are blindly following and to fix them upon some star or some ideal outside and above the muddy and bloody paths which they call civilization.

Modern industrialism is a vicious circle of this kind. Owing to the system and organization which we have developed, only two motives for production are operative in society, one is the making of profit and the other the earning of a wage. The original motive which sets in motion every industrial enterprise is not the supply of things to the community which the community requires to consume, but the making of profit by a small minority. Hence industrial enterprise, because it is successful, produces at once an enormous inequality in the distribution of wealth, and the vast majority of the community find themselves in continual danger of not having sufficient consumable commodities for the bare necessaries of life. This compels the majority of the community to throw themselves into industrial production, not in order to produce what the community must consume, but in order to earn a wage. This, again, converts industry into a struggle between two groups, one composed of the wage-earners and the other the profit-earners, each contending in order to get the most it can out of industry, whether in profits or wages. Our minds have become so hard-set in this vicious circle of beliefs and desires that a man who really regards the object of industry and commerce as something other than individual profit is stamped at once as an absurd visionary. Meanwhile humanity trudges round and round its vicious circle; the true objects of producing food, clothing, houses, and furniture are forgotten or obscured; and even Labour can hardly believe that the end of labour can be anything but the "earning" of profit, interest, salary, or wages.

During the last thirty years the results of the existing system have been such that the vast majority of people have been

compelled to admit its evils and dangers. Everything has justified Owen's contention that a system of production in which the main motive is " to buy in the cheapest and sell in the dearest market " must lead to social disaster. The first step towards a remedy has rightly been seen to be the withdrawal of the control of industry from the hands of a small minority whose object is profit. Now the alternatives to the existing systems are either Co-operation or some form of Syndicalism or Guild Socialism. The objection to all proposals of a Syndicalist nature is that they would under a disguised form perpetuate the evils which are at the root of what is called Capitalism. Syndicalism would vest the control of industry in groups of producers. The motive of industrialism would therefore once again not be the production of commodities for the consumption of the community, but the gain which some particular group could make out of the necessities of the community. The organization of industry would be based not upon the production of what the community wanted to consume, but upon the necessity of " providing work " and wages (or whatever the new term adopted for wages) for the producers. Groups of producers would therefore in effect step into the shoes and places of groups of capitalists and employers, and the struggle of producer against producer and the community would be substituted for the struggle of employer against employer, worker, and the community. But the true object of work is not work nor wages, but the production of the things which ought to be consumed.

These considerations apply with even greater force to any such scheme for the future control of industry, as that put forward in the Whitley Report. This scheme aims at setting up a balance of power between employers and employed, through workshop committees and district and national councils. Now a balance of power between capitalist employers and their employees must inevitably turn on the question of profits and wages, i.e. upon what each side is going to get out of industry. The basis of the scheme, as a permanent solution of the industrial problem, is bad. It ignores the only right object of industrial production, namely consumption. It contains all the dangers therefore of Syndicalism without any of its advantages. For it would place the control of industry in the hands of joint bodies composed of the capitalist employers and the producers in each particular industry. These joint bodies would tend to become the controllers of vested interests and monopolies, and each would compete against the other and the community

of consumers in order to get the greatest amount possible in profits and wages out of industry, while within each monopolistic division of industry the old class struggle between capitalist and worker for profits and wages would continue. It is only by going to the springs and root-causes of the things which move the world that we can change the world's course for good or evil. Thus, in viewing industrial matters we must strip the scales of old prejudices from our eyes and try to see industry in a light in which we have never seen it before. Industry must be based not on production, but upon consumption. The motive and object of production must be the consumption of the community, and nothing else. That means that industry must be controlled democratically in the interests of the consuming community, and the unit in its organization and control must be the consumer. I have attempted to show in the preceding chapters that this is the principle of the co-operative system, and that even the movement of to-day, by developing along the lines of its principles, can provide us with the democratic and rational system which we require. The Co-operative Movement ends properly and logically in a vision, a vision which its rugged and practical founders rightly placed high as the goal of their hopes and struggles, the Co-operative Commonwealth. The Co-operative Commonwealth is still in 1918 a vision, but like nearly all visions it is attainable for men whenever and wherever a sufficient number of them see and desire it. At the risk of appearing to be a mere visionary, I propose to try and make the reader see and perhaps even desire this type of society to which the movement ought to be moving.

In the Co-operative Commonwealth every citizen above the age of seventeen would be a member of the association of consumers, the Co-operative Movement. The organization of the movement would be the same as to-day except that the individual societies would be federated in a national organization, and would therefore be themselves only the local units for the control of industry and for distributive purposes. The initiation of all industrial enterprise and its direction would be in the hands of this association of consumers. The individuals who composed the movement and the individuals who composed the State might be and ought to be the same. But while the movement has developed and adapted itself for a particular purpose, the democratic control of industry, the State has developed and adapted itself to other purposes. The State is not a suitable body for controlling industry, and should therefore

leave the whole of these functions to the democracy organized as consumers in the movement.

The whole body of consumers in the country would determine what should be produced for consumption. Production would thus be based upon and spring from the only proper motive and object, use. But within the walls of industrial production and distribution the industrial workers would themselves be organized democratically, and a balance of power would be established between the consumers and the workers. This balance of power would be concerned only with the conditions of employment, and would follow the lines sketched in the preceding chapters.

Such a system, however, requires a logical development at which many readers on a first hearing will either smile or shudder. The labour necessary for industrial production is an unpleasant necessity and the world must treat it as such. If conscription for any national purpose is justifiable, it is justifiable for industrial labour. Every consumer, male and female, should be required to perform an equal share of this labour. The organization of this kind of conscription could be made both equitable and easy under the co-operative system. Once a year every consumer above the age of twenty-three would be called up for medical examination under the Industrial Service Act. The examination would be conducted by what is now the local co-operative society, but which would by that time have become the Local Consumers' Authority. Each consumer would be classified in one of four classes: A. Fit for heavy labour, which would include labour in specified occupations such as mining; B. Fit for moderate labour, which again would include certain specified occupations; C. Fit for light or sedentary labour; D. Totally incapacitated for any kind of industrial labour. Every Local Consumers' Authority would send a return of the inhabitants thus classified to what is now the C.W.S., but which would have developed into the National Consumers' Authority for Productive Purposes. The C.W.S., under this system of our dreams, knows through its statistical department the estimated quantity of each kind of commodity required for the coming year. When all the Local Authorities have sent in their returns, it knows the amount of labour available for the different branches of industry. Simple arithmetic will therefore show the number of days' labour in the coming year necessary for each division of industry. The C.W.S. then sends a statement to the Local Authority of, let us say, Mayfair in the following terms: "Classified in Mayfair as fit for heavy labour, 2,000 men,

1,000 women : you are required to supply for the year 1919, 1,000 coal-miners to work two months, 1,000 navvies to work 2½ months, 500 railway porters to work 3 months, 500 general labourers to work 3 months : total 3,000 heavy labourers." The 3,000 persons classified in Mayfair in Class A are then summoned on a certain day and draw lots as to whether they shall work as coal-miners, navvies, railway porters, or general labourers, provided that any person may voluntarily exchange occupation with any other person within the same class. The same process will be repeated in every locality for each class The performance of the year's labour will entitle each person to a fixed wage of, say, £4 a week for the year. Every person would probably have to perform a maximum of about four months' industrial labour during the year. In the other eight months he would be at liberty to pursue the work or hobby of his choice, whether it happened to be coal-mining, writing books, painting pictures, politics, advocacy, science, or philandering.

The picture of this Co-operative Commonwealth will to many people seem ridiculous and impossible. The wisdom of the wise must be judged by whether it seems to them more ridiculous than a system under which the life of millions of human beings consists from the age of fourteen to sixteen in performing the same monotonous operation nine or ten hours daily in order to earn a barely living wage. As for its impossibility, it could be set in operation the day after to-morrow provided only that to-morrow had brought us the gift of seeing and feeling things as they are.*

But the reason why I have insisted upon this vision of the Co-operative Commonwealth at the beginning of a chapter headed "Co-operators and Political Action" is not that I hope to convince the reader of its immediate practicability. I believe only that the true and ultimate end of Co-operation is the creation of a society and industrial system upon this model, in which the whole of industry will be controlled democratically and class warfare will be completely abolished, because every man and woman will perform an equal share of the work of industrial production. But if this is the ultimate goal to which the movement ought to be marching, co-operators should test, by referring to it, every important problem of co-operative action Now in the fourth year of the war the movement, by deciding to go into politics, has taken a step which may have the most tremendous influence upon its future, and in discussing the causes and possibilities of that decision, I wish the reader to

* See Notes at end of this chapter.

have clearly in his mind the vision of the Co-operative Commonwealth.

The history of the movement's attitude towards political action is a curious one. There has always been a small band of co-operators, active and urgent, who have tried to induce the movement to take its place by the side of the other working-class organizations, the trade unions and Labour Party, for joint industrial and political action. Up to the outbreak of the war the efforts of these eager pioneers met with little or no success. In fact, as we saw in Chapter IV, only a year or two before 1914, when a proposal was made for what was called "fusion of forces," a proposal which implied joint action with the Labour Party and trade unions, the movement at the last moment refused formal co-operation even with Trade Unionism, and was most determined not to have anything to do with political action.

Four years of war and war administrations have effected a complete revolution in the attitude of co-operators towards these questions, and in order to estimate the effects of the new co-operative policy it is necessary to understand the motives of the old refusal and the causes of the revolution. In this book I have repeatedly had to insist upon the fact that the movement is predominantly working-class both in membership and ideals. Those who before the war urged "fusion of forces" or even political action based their proposals upon the fact that co-operators belonged to a class movement. Trade Unionism, Co-operation, and the Labour Party, which all have their roots in the working classes, naturally find themselves in many directions pursuing the same social and political aims and ideals. The attainment of those common aims, it was urged, would never be possible unless the three wings of the Labour Movement worked in close co-operation, wherever possible, in the fields of economic and political action. But co-operators, though conscious that they formed part of the Labour Movement, always belonged to the extreme Right or conservative and cautious section. In fact, they carried caution and conservatism to the point at which it is sometimes difficult to distinguish them from timidity and petrification. It was this tradition of timidity which made them refuse to listen to the more eager spirits among them. They knew the strength of those webs which the two political parties had spun over the country and their own members, and they were frightened that if once political questions or joint action with political bodies were admitted, the bonds of co-operation would not be strong enough to resist dissension and disintegration.

But the war has had a greater effect upon working-class feeling than many people realize. In the first place, the old political ties have very largely been loosed or broken. And when in May 1917 co-operators met in their annual congress at Swansea, it became clear that other events had caused a revolution in their outlook. There was a spirit of revolt against the way in which the exigencies of the war had been used for the purpose of suppressing opinions and curtailing liberties which happened to be distasteful to small but powerful classes. Then the leaders of the movement uttered a strong protest against the treatment accorded to them by the Government and the private-trading classes. Co-operators claim, as we have seen, to be carrying on a democratic system of industry not for private profit, but for supplying the wants of the community of consumers. They already represent from seven to ten million consumers. Their operations are particularly concerned with the food-supply. In May 1917 there was already great dissatisfaction with the failure of the Government Food Control policy. Leading co-operators at the Swansea Congress protested against the way in which the Government had neglected to use the machinery, organization, and goodwill of the movement or to listen to any of their suggestions and complaints. Politically they had been slighted and ignored. In fact, allegations were made of something worse than mere neglect. A fair representation for this great democracy of working-class consumers had not been given on the different food committees, which were packed with private traders hostile to the movement. Co-operators had repeatedly been victimized by these committees and by the Military Service Tribunals. Lastly, injury had been heaped on insult by the extension of the Excess Profits Tax to co-operative societies, the very essence of whose system is that they do not make profits. This spirit of revolt issued in action. The Congress by an overwhelming majority reversed the decisions of previous Congresses. It decided that in order to attain the ideals of Co-operation the time had come when it was necessary to use its power and numbers politically, and to unite in joint action for common aims with the other working-class organization, the trade unions. Meanwhile it was decided that the leaders of the movement should once more attempt to get their grievances redressed by a direct appeal to the Government. Then a curious thing happened. The Joint Parliamentary Committee of the movement asked the Prime Minister to receive a deputation from them as representing 3,500,000 co-operators. The Prime Minister replied that he had no time. Shortly afterwards the Prime Minister found

time to receive a deputation from the Jockey Club. This was the last straw, apparently, which broke the patience of the Co-operative Movement. A special conference of the whole movement was summoned and met in London in October. It met both in sorrow and in anger. It immediately adopted a scheme which was laid before it for carrying out the broad lines of new policy laid down at the Swansea Congress. That policy consisted of two parts: first the working out of closer unity of action between the movement and the trade unions; and second, a scheme whereby the movement will secure direct. representation in Parliament and on local adnimistrative bodies It is the latter scheme which constitutes a co-operative revolution.

The spirit of the Conference was exasperated: but the traditional caution of the co-operator has not deserted him, even under the stimulus of exasperation. He has accomplished a cautious revolution; he has not plunged into any large scheme of political representation, but has carefully constructed the skeleton of a political organization adapted to small beginnings, and at the same time to development and expansion. The scheme which the Conference approved, and which will immediately be put into operation, provides, first, for the establishment of a Central Parliamentary Representation Fund out of a minimum subscription of £2 per thousand members from retail distributive societies. This should produce a minimum " party chest " of £7,000, but if societies really throw themselves wholeheartedly into politics this sum will be enormously increased without difficulty. Only actual expenses of elections will be charged against the Representation Fund, which will be administered by the Co-operative Union. The scheme then creates both a central and a local organization for purposes of Parliamentary Representation. The central authority is a committee of twelve on which the Co-operative Union, the Wholesale Societies, and the English and Scottish Women's Guilds are represented. The local organization will consist of a Local Council of the co-operative societies in each parliamentary constituency. The Central Committee will compile a list of the constituencies in which it is hoped to run co-operative candidates, and the selection of the candidates will be made jointly by the Central Committee and the Local Council of the constituency. The Local Councils will in their general work be autonomous; their duty will be to organize the co-operative vote in their constituencies. The scheme significantly stresses the desirability, both at the centre and in the

localities, of friendly relations or co-operation with friendly societies, trade unions, and "any other organizations pursuing similar objects." The Conference, after approving this scheme, went on to pass a resolution defining a most comprehensive programme of industrial, social, and economic reform, which is reprinted as an Appendix to this chapter.

It is extremely difficult to estimate the prospects and effects of this new policy, but its possibilities are so immense that a few considerations must in this book be tentatively advanced. Three important points must be distinguished, namely the chances of success or failure of this new political Co-operative Party, its effects upon national politics, and its effects upon those principles and aims which I have tried to show are what constitute the real importance of the movement. Now the entrance of co-operators into politics will no doubt begin in quite a small way. At the next election a small number of co-operative candidates will be put forward: those who are elected will probably sit with the "Labour" members and will be specially charged with voicing the interests of consumers' societies. It is possible that the Co-operative Revolution will end tamely there: but the hopes and intentions of the Conference which gave birth to it looked forward to something far more exciting and important. There are organized within the movement 3,500,000 mainly working-class consumers, nearly all of whom, one may hope, will soon be electors. Now practically all the speakers at the Conference—and there was no dissent from the 900 delegates—obviously looked forward to the creation out of these millions of a new working-class political party representing the consumers, with the organization and wealth of the movement behind it and working in close and friendly relations with the Labour Party and the trade unions. The evolution of such a party, pledged to the programme of reforms which is printed in the Appendix, would revolutionize not only the movement itself but the whole of party politics.

It would be absurd to attempt to prophesy as to whether this evolution will take place: it is more useful to consider the immediate difficulties and dangers in the path of those responsible for the policy. The most curious and significant fact is that those responsible are the "leaders" of the movement—i.e. members of management committees. At first sight this may seem to be favourable to the new development, because in the past these leaders have certainly not been less conservative than the rank and file co-operator But it is most important

to remember that the immediate impulse for the decision to enter politics came from a feeling of revolt and resentment against the treatment of Co-operation by the Prime Minister, the Government, and the private-trading interests It is precisely among the leaders, the directors of the Wholesale Societies and the members of management committees, that the details of the treatment are known and the resentment is felt. The ordinary co-operator is ignorant of the facts, and the motive for the new departure, except in regard to the Excess Profits taxation, is in his case largely wanting. The political prospects of the Co-operative Movement will depend almost entirely upon whether the new spirit among the leaders is sufficiently strong and sufficiently permanent to enable them both to rouse and to convert the rank and file. There is a strong minority who are hostile to and apprehensive of the coupling of Co-operation with politics : there is still a very considerable deadweight of indifference and ignorance hanging round the neck of the movement; lastly, its limbs are still entangled in all the spiders' webs of old party ties. These difficulties can only be overcome if the leaders are able to reach, to rouse, and to organize the political and co-operative imaginations of the rank and file through the new Local Councils. Something more than a temporary resentment against bad treatment will be required to sustain this policy. The leaders will have to put before their members at once the new political programme, and to do this effectively they will require an immense and persistent educational and political campaign. All that one can say is that the time never has been and never will be again more favourable for such a campaign.

The transformation of the movement raises, however, a question of wider and more permanent interest. If any one examines the programme of policy adopted for the new Party, he will immediately observe that it is a working-class or Labour programme. In other words, the movement is entering politics as a Labour organization with those beliefs and ideals which are held universally, though not exclusively, by Labour. The reader of the preceding chapters will not be surprised by this fact. It is inevitable that in a country and society, so rigidly based upon the class system as ours are at the present date, a movement like that of Co-operation should bear the marks upon it of that system. But this fact may at first sight seem to contradict the claim which I have repeatedly put forward, that the movement stands for democracy and the whole community, for it cannot stand for all classes of the community if it enters

politics as the representative of a class Here we are brought face to face with the question of the future development of Co-operation and national politics, for whether the objection be good or bad will depend entirely upon that development.

In the first place, the reader should carefully study the co-operative political programme printed in the Appendix. If he do so, he will observe that although it may be correctly called a Labour programme, it is not necessarily a class programme. The broad principles of Labour and this programme are democratic. They aim at a democratic control of industry and government, a minimum standard of life and education for the whole community. Those are the peculiar ideals of Labour in general and of co-operators in particular. If pursued in a democratic and co-operative spirit, they would make not for class feeling and class legislation, but for the abolition of classes and class feeling It is only if they are pursued in the spirit of class bitterness and cupidity, the spirit of that sordid and devastating struggle between the " haves " and the " have-nots " which has been the greatest of all the curses and the scourges of human beings, that co-operators by entering politics will sin against their own principles and so only add another to the dreary list of self-seeking and corrupt political parties.

And that brings us once more back to the vision of a Co-operative Commonwealth which has hovered over these pages, and which I tried to make a little more substantial at the beginning of this chapter. I tried to show that Co-operation contains within it the germs of a rational system of industry, and that under that system the movement would develop into the organ for carrying on industry democratically in the interests of the community. If this be the right view of the true end of Co-operation, every proposal with regard to the movement should be scrutinized by co-operators, to be rejected if inconsistent, and accepted it consistent, with the ideal. Now at first sight it may seem difficult to reconcile the entrance of the movement into politics with the fate reserved for it of controlling industry in the interests of the community. But here again a final judgment will depend entirely upon the spirit in which co-operators enter and remain in politics. If the Co-operative Party is formed in any narrow spirit of " class " and " class interest," if it makes its political appeal merely to the selfish and material interests of sections, then the movement will have itself created the most insuperable obstacle to the foundation of a Co-operative Commonwealth. It would be ridiculous for an organization which in politics was acting as the weapon

of a section of the community, or even " representing the interests " of a section of the community, to claim the right to act in industry as the organ of the whole community. But if co-operators enter politics in the spirit of their own principles and ideals, it is possible to reconcile their industrial function with their political activities. There is no inconsistency in the ideal of the Co-operative Commonwealth and the formation of a party with the main object of using political power to bring that Commonwealth into existence. But this means that the programme of the party must really be the principles of co-operation. The Co-operative Member of Parliament must enter the House of Commons not as a representative of a class, but as the representative of the community of consumers, pledged to make his first aim the complete democratization of industry on co-operative lines, and the establishment within the organization of industry of a balance of power between the consumers and producers. To do this he will have sometimes to act against what will appear to be the immediate interests of co-operators themselves. The real test of the movement and its claim to represent the community will have been made if such action is not only tolerated but encouraged by co-operative electors. Nothing would do more to transform the Co-operative Commonwealth from a vision into a reality than a political party with such curious principles and so rare a political creed.

APPENDIX

The following is the Resolution carried unanimously at the Special Emergency Conference called in October 1917 by the Co-operative Union, and embodying the programme of policy of the Co-operative Political Party:—

That this National Conference of Co-operators of the United Kingdom desires to mark the entrance of the Co-operative Movement into the political arena with a definite expression of its general policy of industrial, social, and economic reform, and hereby declares its adherence to the following aims:—

1. To safeguard effectually the interests of voluntary co-operation, and to resist any legislative or administrative inequality which would hamper its progress.

2. That eventually the processes of production, distribution, and exchange (including the land) shall be organized on co-operative lines in the interests of the whole community.

3. That the profiteering of private speculators and the trading community generally shall be eliminated by legislative or administrative action.

4. The scientific development of agriculture and the provision of light railways for transport of produce, together with adequate housing and wages for the agricultural labourer.

5. The abolition of all taxes upon food-stuffs to be replaced by the taxation of land values and the further increase of income tax and death duties upon large incomes and estates.

6. That in order to facilitate the development of trade, commerce, and manufacture after the war, the Government shall establish a national credit bank to assist local authorities, co-operative societies, and others to finance their new undertakings as required.

7. That adequate housing of the people, financed by the National Exchequer, shall be compulsorily provided on lines which will secure healthy, decent, and suitable accommodation for the whole community.

8. That the present education system should be recast on national lines which will afford equal opportunity of the highest education to all, unhampered by the caste system now prevailing, which arbitrarily and unjustly limits the resources of the State in utilizing the best capacities of the nation.

9. The effective Parliamentary control of foreign policy and national services by committees composed of representatives of all parties in the House of Commons.

10. The gradual demobilization of the soldiers and sailors from our Army and Navy to correspond with the needs of industry in order to avoid unemployment.

11. The breaking down of the caste and class systems, and the democratizing of State services—civil, commercial, and diplomatic.

NOTE TO CHAPTER VI

I HAVE purposely only sketched very lightly the vision of the Co-operative Commonwealth, as I only wish to indicate the broad lines of true co-operative development. But one objection which will immediately be made to the vision must be briefly answered. It will be said that the commodities required by the community could not possibly be produced under this system unless practically the whole community spent nearly all its time in industrial production. But people who make this objection are really following the tail of the sheep immediately in front of them in the vicious circle of existing industrial and social ideals. They fail to observe a necessary corollary to this system of co-operative production. The Co-operative Commonwealth through its National Authority of Consumers for Productive Purposes (which I shall continue to call the C.W.S.) would find itself compelled to produce only necessaries and those of the simplest kind. Thus the C.W.S. would use the conscription of industrial labour for producing only the simplest kind of food, clothing, houses, and furniture. All the labour now expended on advertising, and on producing luxuries and "shoddy" and useless articles, would be available for these purposes. If the whole community were properly organized for industrial production, all the pure and simple food, and all the simple clothing, houses, furniture, etc., could be produced, although no individual in the community worked for more than three months in the year on industrial production. Every one would receive a claim to an equal share of these productions in the form of an equal wage. Therefore, every one would start with an equal standard of necessaries. Every one would also have nine months of the year free to him in which he could pursue the occupation which was congenial to him. If he painted pictures which other persons desired, he could exchange them for gold-mounted walking-sticks—if that was what he desired—provided that he could find persons who had a passion for producing gold-mounted walking-sticks in their nine months of leisure. If he could not find such people, then he might spend his own nine months of leisure in making himself a gold-

mounted walking-stick. Similarly, any one who did not like the standard table produced by the C.W.S., would either make the table of his ideal or make something else which he would exchange with persons who had a hobby for making tables. Thus the Co-operative Commonwealth would solve the problem of practical Art, for over and above the bare necessaries of life, which would be produced industrially, everything else would be produced by people who voluntarily chose to produce them and took a personal pleasure in the work. Under this system we should for the first time see what human beings really wish to do with their time, and what they are really capable of producing.

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Printed in Great Britain by

UNWIN BROTHERS, LIMITED, THE GRESHAM PRESS, WOKING AND LONDON

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